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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 4 November 1999

Journal des débats (Hansard)

Jeudi 4 novembre 1999

**Standing committee
on public accounts**

Organization

**Comité permanent des
comptes publics**

Organisation



Chair: John Gerretsen
Clerk: Tonia Grannum

Président : John Gerretsen
Greffière : Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE
ON PUBLIC ACCOUNTSCOMITÉ PERMANENT
DES COMPTES PUBLICS

Thursday 4 November 1999

Jeudi 4 novembre 1999

The committee met at 1004 in committee room 1.

ELECTION OF CHAIR

Clerk of the Committee (Ms Tonia Grannum): I'm going to call the meeting to order. Honourable members, it is my duty to call upon you to elect a Chair. Are there any nominations?

Mr Tony Ruprecht (Davenport): I move that John Gerretsen, MPP, Kingston and the Islands, be the Chair of the standing committee on public accounts.

Clerk of the Committee: That's a nomination. Are there any further nominations? There being no further nominations, nominations are closed and I declare Mr Gerretsen elected as Chair.

ELECTION OF VICE-CHAIR

The Chair (Mr John Gerretsen): Good morning, everyone. Thank you very much for the confidence you have shown in me.

Honourable members, may I have the names for the election of Vice-Chair? Are there any nominations for the election of Vice-Chair?

Mr Richard Patten (Ottawa Centre): I'd like to nominate Mr John Cleary from Cornwall and Stormont and something else, I'm not sure what.

The Chair: Stormont, Dundas and Charlottenburgh. Are there any further nominations? I declare Mr John Cleary to be the Vice-Chair of the committee.

APPOINTMENT OF SUBCOMMITTEE

The Chair: There's a motion by Mr Maves. Mr Maves, would you like to move the motion?

Mr Bart Maves (Niagara Falls): I move that a subcommittee on committee business be appointed to meet from time to time at the call of the Chair, or at the request of any member thereof, to consider and report to the committee on the business of the committee; that the presence of all members of the subcommittee is necessary to constitute a meeting; and that the subcommittee be composed of the following members: Mr Gerretsen, Chair, Mrs Munro, Mr Patten and Ms Martel; and that any member may designate a substitute member on the subcommittee who is of the same recognized party.

The Chair: Any discussion on the motion at all? All those in favour? Opposed? Carried.

COMMITTEE BUSINESS

The Chair: First of all, I'd like to welcome you all to the committee. I know there are some new members here and it's their first term in office, but there are also some very highly experienced members on this committee.

It's my understanding that the public accounts committee is the oldest committee of the Legislature. It's been in operation ever since the Legislative Assembly of Ontario was first organized and formed. As such, our principal responsibility is to deal with any matter that's referred to us by the Legislative Assembly but primarily to deal with the Provincial Auditor's report. I'll call on the auditor in a few moments.

The auditor's report is scheduled to be released on November 16. I believe a note has been passed to you that a lock-up will occur on that day at 11:30 in order that you may be fully familiar with the report prior to its official release when the House commences that day.

I also understand that this committee, by tradition, has been more non-partisan than perhaps some of the other committees since presumably—I know—we're all interested in the same thing, and that's to make sure that the public gets its money's worth for any of the programs that are funded by the government in one way or another.

With that, I would now call upon the Provincial Auditor, Erik Peters, to say a few words and then I'll entertain any discussion there may be on anything he has to say or any other comments you may wish to make at this time. Mr Peters, welcome.

Mr Erik Peters: Thank you very much and congratulations on your appointment, and the Vice-Chair. General congratulations to you on your appointment to this committee, which, as you can very well imagine, I consider really my minister, if you will, as a group, because you are dealing with the issues that we bring forward to the Legislative Assembly.

On November 16, we will follow the normal routine of presenting our report. However, I would like to alert you to an issue on the record and I'll leave it up to you whether you want to discuss this briefly after this in camera. It will not take more than five minutes, unless you have long questions about it. There is a very serious

issue at hand arising out of Bill 4 that I have to alert you to and I would leave it at your—

Mr Patten: What's Bill 4?

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Mr Peters: Bill 4 is An Act respecting the Legislative Assembly and its officers. Section 1 of that bill deals with my office, and because this amendment to the act was passed without any consultation with my office, it surprised my office greatly and has a direct impact on the independence of my office that I would like to discuss and bring to your attention as a matter that has great urgency. I'm asking you if we could briefly discuss that. I have a very brief handout that I would like to discuss with you, and I've put it on the record whether you want to discuss this in Hansard or in camera.

The Chair: Just so that I'm clear, you're saying that the bill has been passed?

Mr Peters: The bill has been given assent. It was given first reading on October 25, second and third readings on October 27 and was given royal assent on October 28, so it's in the public domain.

The Chair: Any discussion on that issue?

Mrs Julia Munro (York North): It seems to me that for any discussion in depth we should probably wait until the subcommittee has had an opportunity to be apprised of this.

Ms Shelley Martel (Nickel Belt): I've been sitting on the committee for a long time and it's not normal for the auditor to come before us and say that there's a matter of urgency which he needs us to deal with. I'm assuming that it is, because it is not common for him to ask the committee to deal with something immediately. So given that he has and that it's not common for him to do so, I'd suggest that if it's only going to take five minutes, then for those of us who are here, we stay and we deal with this in camera.

The Chair: Any further comments?

Mr Maves: I also agree with Ms Munro. While I respect that there's a certain level of urgency, I think it's normal that our subcommittee should meet to discuss anything beyond what was put on the initial agenda for today. I think that's the more appropriate course of action, that the subcommittee get together, perhaps with input from Mr Peters about whatever it is he'd like to discuss, and then that subcommittee decide on an appropriate time to discuss that business.

The Chair: When you say it's urgent, Mr Peters, what are we talking about? Are we talking about a matter that, in your opinion, needs to be dealt with right away, or could it wait a week? Could we have a subcommittee meeting first?

Mr Peters: It is merely information. It is information. It is a matter that I have a plan to deal with and will deal with. But it is a matter that, because the committee is not sitting before I table and it is a matter that has just arisen, I just want to advise you of the implication of one of the sections of Bill 4, without any rancour, criticism of anybody, just to let you know that section 1 of Bill 4 is an impediment, is interference with the independence of my

office and therefore I think it should be brought to the attention of this committee.

Mr Patten: I would ask the committee to indulge the auditor. If it's five minutes, it's only information. We're not talking about a big debate here. Members of the committee should probably be aware of something if it does pop up elsewhere. We will not be here next week. We're talking about meeting after the tabling of your report, I presume.

Mr Peters: That's right.

Mr Patten: This could drag on and maybe it is something that we should be aware of anyway. If you're talking about a five or 10-minute thing, then that's fine with me.

Mr Maves: Chair, we're happy to let the auditor make his statements, but I'm concerned. In the last four years that I've been on committees, that isn't normally the way we proceed. I'm just wondering if the committee is going to have a different way of proceeding and bringing matters to the table than is normal. You understand that normally it's the subcommittee, we all know, that gets together and agrees that we're going to meet and what it is we're going to discuss. I'm just wondering, are we setting up a different way of doing that, where we supersede the subcommittee?

The Chair: No, but as has been indicated before, the auditor had stated that it's a matter of urgency. If he just wants to make a statement to the committee at this point in time and wants us to dwell on it so that we can deal with it at the next meeting, perhaps that's the best way to deal with it, since there's nothing else before the committee today anyway. Would you like to state your concerns then?

Mr Peters: Yes. I have a brief handout that's just two pages long. One is actually the section of the bill and the other one, the front piece, deals with the implications of that.

I think while you have the handout, what it has to do with is that, as you know, Bill 4 is An Act respecting the Legislative Assembly and its officers. Section 1 of that bill says, "Subsection 5(1) of the Audit Act is amended by striking out 'within the highest range of salaries paid to deputy ministers in the Ontario civil service' and substituting 'to be fixed by the Lieutenant Governor in Council.'" This particular section does three things:

Number one, it removes the linkage of my remuneration from the deputy ministers. This is a first, unprecedented in Canadian history, that the government has decided to remove the linkage to a pay scale that is in existence for all other legislative officers in Canada.

Secondly, and more importantly, it says the Board of Internal Economy is no longer responsible to set my remuneration, but the Lieutenant Governor in Council, which of course is cabinet. The impact of this—and that's all I want to advise you of—is on the first page, which is an extract from the Canadian Comprehensive Auditing Foundation's publication Improving Accountability—Canadian Public Accounts Committees and Leg-

islative Auditors. It outlines effectively the impact of this amendment to the Audit Act.

This amendment was passed without any consultation with my office. There was no prior notice whatsoever.

The other reason I want to point it out to you as a matter of urgency is simply the fact that this committee, in 1996, made recommendations to the government to amend the Audit Act on professional matters and some housekeeping matters. None of this has been dealt with, although the Minister of Finance agreed in principle with the committee, but this particular section was put through. Why I ask for the privilege is that it is published and I just wanted this committee to be aware of the implications of this particular amendment to the Audit Act.

With that, currently we have arranged for meetings with the government and I hope we can come up with a plan to deal effectively with the situation. I just thought that, since it had royal assent, the members of this committee to whom I report should be aware of my concerns. Thank you, Chair.

The Chair: Any comments?

Mr Maves: It's a matter of record that I'm a very staunch supporter of the Provincial Auditor's office and the work that they do. In fact, I had a private member's bill that would expand the scope of the Provincial Auditor's office, so I don't want anyone to feel that my comments are meant in any way to denigrate the Office of the Provincial Auditor.

I just find it somewhat alarming that we didn't even take a vote on it. We had a discussion on whether or not we were going to hear Mr Peters's point. We didn't even take a vote on whether or not we were going to continue further beyond the agenda and we've now superseded the normal committee process of what's going to be discussed on an agenda. I'm a little bit alarmed by that and it's nothing to do with comments that were made. I mean, it's fine that that's brought to our attention. I'm just concerned that we're now superseding the normal procedure with which a committee does its business.

The Chair: I didn't hear a motion being made to the contrary at the time. I made a suggestion and there was no contrary comment, so I let Mr Peters speak.

I think for the record it should be noted that according to standing order 106(i), this committee "is empowered to review and report to the House its observations, opinions and recommendations on the report of the Provincial Auditor and the public accounts, which documents shall be deemed to have been permanently referred to the committee as they become available." It does not specifi-

cally deal with the matters that are raised by the auditor at this stage.

On the other hand, I can well understand how there may be a concern of who controls, in effect, the salary of the auditor. Whether it's the Lieutenant Governor in Council or the Legislative Assembly certainly places a different kind of scope on it. But he stated his concerns for the record and we can deal with it in the future if we so wish.

Mr Maves: Except that, with respect, the contents of his comments are in effect irrelevant to the point that I'm trying to make. My point is not one of the Provincial Auditor's comments but one of committee procedure. It's well-established procedure that—I know that a committee can overrule a subcommittee, but it's normal procedure that anything that's going to be discussed at a committee meeting is normally laid out ahead of time and agreed to by a subcommittee.

The Chair: I asked the auditor to make an opening comment as he is sort of the main officer responsible to this committee and his comments were not exactly what I had in mind initially. As far as the scope of his activities with this committee is concerned, he wanted to say something else, and although I heard some concerns before that, there wasn't really a motion put that he was not to deal with these matters.

But I understand your concerns and I'll certainly take them under advisement and hopefully the committee will continue in the past practice that way.

Ms Martel: All I was going to say was, if the government didn't want him to proceed, the government could have moved a motion not to have him speak and we could have had a vote. That's the option that all of us can exercise on anything that's before us. I think this discussion is getting to be a bit ridiculous, and if there's nothing else, maybe we should just adjourn and hope everyone has a better day.

The Chair: Before doing that, however, because we're not going to have a meeting between now and November 16, perhaps the auditor could just address us as to what's going to happen on November 16 so that the members of the committee can be aware as to when the auditor's report in effect is being delivered, the sequence of events. Does anybody have any objection to that?

Mr Patten: It's right here, Mr Chair.

The Chair: Thank you. It's clear to everybody. Is there any further business for the committee at this point in time then? OK.

Thank you all very much for your attendance. I look forward to a fruitful meeting in the future. Adjourned.

The committee adjourned at 1024.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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Vice-Chair / Vice-Président

Mr Richard Patten (Ottawa Centre / -Centre L)

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh L)
Mr John Gerretsen (Kingston and the Islands / Kingston et les Îles L)
Mr John Hastings (Etobicoke North / -Nord PC)
Ms Shelley Martel (Nickel Belt ND)
Mr Bart Maves (Niagara Falls PC)
Mrs Julia Munro (York North / -Nord PC)
Ms Marilyn Mushinski (Scarborough Centre / -Centre PC)
Mr Richard Patten (Ottawa Centre / -Centre L)

Substitutions / Membres remplaçants

Mr Tony Ruprecht (Davenport L)
Mr David Young (Willowdale PC)

Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor

Clerk / Greffière

Ms Tonia Grannum

Staff / Personnel

Mr Ray McLellan, research officer, Legislative Research Service

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ISSN 1180-4327

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Jeudi 18 novembre 1999

Standing committee on public accounts

Subcommittee report

Comité permanent des comptes publics

Rapport du sous-comité



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 18 November 1999

Jeudi 18 novembre 1999

The committee met at 1005 in committee room 1.

SUBCOMMITTEE REPORT

The Chair (Mr John Gerretsen): Good morning, everybody. I call the standing committee on public accounts to order. We have before us the report of the subcommittee on committee business. I believe everyone has received a copy. Any comments?

Mr Richard Patten (Ottawa Centre): Mr Chair, I'd like to move acceptance of the report of the subcommittee.

The Chair: Is there a seconder for that? Ms Martel. Should it be read into the record? Mr Patten, would you like to read it into the record, please?

Mr Patten: "Your subcommittee on committee business met on Wednesday, November 17, 1999, and recommends the following:

"1. That the committee table periodic reports on the sections of the auditor's report that have been reviewed.

"2. That the 1998 report of the standing committee on public accounts be distributed to the members of the committee, and that the committee adopt and table the 1998 report.

"3. That the Provincial Auditor provide an updated report to the committee on the Andersen agreement.

"4. That the schedule for the public accounts committee in its review of the 1999 annual report of the Provincial Auditor be as follows:

"November 25: Government advertising (chapter 2 of auditor's report) (Management Board)

"December 2: Community accommodation program (3.04), child and family intervention program—3.03 (chapter 4 of auditor's report) (Community and Social Services)

"December 9: Report of the Provincial Auditor on the Andersen agreement (Community and Social Services)

"5. That the committee will begin each section with a closed-session briefing by the research officer and the Provincial Auditor. The deputy minister and other appropriate staff of each ministry will be asked to attend the committee following the closed-session briefing to provide a response to the auditor's report.

"6. That the committee request of the House leaders, to sit for 10 days in February to continue its review of the 1999 annual report of the Provincial Auditor.

"7. That the committee review the additional following sections of the 1999 annual report of the Provincial Auditor, schedule to be determined.

"3.01—Family Responsibility Office (Attorney General)

"3.02—Office of the Public Guardian and Trustee (Attorney General)

"3.07—provincial personal income tax revenue and related credits and reductions (Finance)

"3.08—Cancer Care Ontario (Health and Long-Term Care)

"3.12—Year 2000/information technology preparedness (Management Board Secretariat)

"3.14—provincial highway maintenance (Transportation)

"Chapter 4."

That is the report.

The Chair: Comments?

Mrs Julia Munro (York North): We would like to change point 6 to read "to sit for up to 10 days."

The Chair: Are you moving that as an amendment?

Mrs Munro: Yes, I am.

The Chair: Is there any discussion on that? I think that was the gist of the discussion yesterday by the subcommittee.

Mrs Munro: The reason I suggest that is that we had a discussion that we want 10 days in the period when the House isn't sitting. But there was some discussion as to whether we would have them all in February. I think it locks us in when we ask for it to be in February, and so I suggest that we might want to have a couple of days in March or something like that. Given the discussion we had last night, some consideration might also be given to making it "up to 10 days in February and/or March."

The Chair: Would you like to move that as part of the amendment, as well, because I think that was—

Mrs Munro: I do feel that, if not, we restrict our House leaders.

The Chair: I agree. Is there any discussion on that amendment? All agreed on that? Yes. So "up to 10 days in February and March" to give us greater latitude and flexibility.

Any discussion on the report of the subcommittee itself?

Mr Erik Peters: I just want to bring one item to your attention, which is that you will be discussing year 2000 preparedness in the year 2000. Is that intentional? I want

to raise the point with you. There may be method in the madness, in the sense that you might want to find out what actually happened on January 1. The alternative would be to consider moving it to the December 2 meeting and moving December 2, which is part of chapter 4, to item 7. I just suggest it, and I can't make a motion. So it's up to you to deal with that issue.

The Chair: Any comments on that?

Mrs Munro: Yes. I appreciate the point the auditor has made on that issue. There's no question that it is after the fact. However, given that one could argue that much of what we are discussing is after the fact, perhaps we will leave the December 2 item and, as my colleague suggests, we can then look at what should have happened if we are looking at the year 2000 in the year 2000.

The Chair: I guess the other issue is that if we're not going to discuss until December 2 or 9, what effect could the recommendations we make have within the different ministries that are affected by them?

Mrs Munro: In 10 days?

The Chair: It's kind of late, anyway.

Mr Patten: This could be quite serious. If the auditor identified something that was catastrophic, then that would presumably have been responded to immediately. However, if there is something urgent that the auditor feels he should look at, I wouldn't mind taking a special hour or two just to look at that, in view of the time pressures on the issue.

The Chair: The auditor would like to make a comment on that.

Mr Peters: Since we took our snapshot in March 1999, and only a reasonable update up to about May or June, we saw nothing catastrophic at that stage that wasn't surmountable.

The Chair: Is there any further comment on that? Unless I hear an amendment to the subcommittee's report—

Mr Patten: I'm trying to get a sense of the urgency here. If it is, I'd be prepared to offer November 25. In all seriousness, if this is urgent, I'd be prepared to suggest that.

The Chair: I understand what you are saying.

Ms Shelley Martel (Nickel Belt): Perhaps I could ask a question. If I recall—because I went to the press conference where the auditor made his report—the issue around Y2K really had to do with hospitals. I think that is what we're talking about—

Mr Peters: One of the issues.

Ms Martel: —and whether some 20 hospitals that had not replied to the Ministry of Health were ready. So I guess my question is, is that what we're going to be looking at, or is there some other area of government that you feel needs to be targeted? Otherwise, if there was nothing that wasn't insurmountable at the time, the only problem I could identify was hospitals, and I'm not sure we in this committee are going to be in a position to do much about that, since they are transfer payment agencies anyway.

Mr Peters: There were essentially three issues in the year 2000. One was the number of hospitals that had not responded at all and the percentage of hospitals that had indicated they would not be compliant. The second issue was that seven of the critical systems still required acceleration at that point in time. The third issue was that they were only starting to deal with contingency plans or backup plans in the event that any of the tier-2 or tier-3 did not work.

Having the Management Board Secretariat before us would provide an update as to how they viewed it. There's no additional work by us, but it would be an information session for the committee by the Management Board to tell them how they felt it was going to go.

The Chair: The suggestion I have is that since the Management Board is going to be here on November 25 anyway, why don't we ask them to address that issue as well at that time? Do you have any difficulty with that, Mrs Munro?

Mrs Munro: No.

Mr Patten: You're a very smart Chair. That's great.

The Chair: Could we have a friendly amendment to have 3.12 included on November 25? Is that agreed to by everybody? Agreed.

Any further discussion on the subcommittee's report?

Shall it carry as amended? All in favour? Opposed? Carried unanimously.

We're now going to hand out the second item in the subcommittee report, and that deals with the 1998 annual report of the standing committee.

Anything further that the committee would like to discuss at this stage?

Mr Doug Galt (Northumberland): Adjournment?

The Chair: Are you moving adjournment? Just a minute. Ms Martel wants to say something.

Ms Martel: There is a motion that the report be adopted. People are just receiving it now. Maybe we could just say that the subcommittee determined yesterday that because all the work had been done on the report, we really should have it reported to the House. The only reason it wasn't was that there was not a sign-off on the original document by one member. Otherwise, it would have been printed, translated and presented to the House. So we thought we should do that now.

I move that the 1998 annual report of the standing committee on public accounts be adopted, that the report be translated and printed, and that the Chair be instructed to present the report to the House.

The Chair: Any comments on the motion?

Mrs Munro: I understand and appreciate Ms Martel's position on this. I would just say that given that our agenda was merely to look at the report of the subcommittee, we might want to give members an opportunity to have a look at this before we ask them to do that, and that perhaps the resolution that has been suggested could come up at our November 25 meeting.

The Chair: Is that agreeable, Ms Martel?

Ms Martel: That's fine with me. I think the earlier agreement we also made, that there be no changes—that

people understood that, only because the work had already been done, probably by people who weren't on the committee at the time.

The Chair: Would you like to withdraw the motion at this stage and reintroduce it again?

Ms Martel: Sure. I withdraw.

The Chair: Any further discussion, comments or statements? OK. The meeting is adjourned.

The committee adjourned at 1016.

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

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1999 Annual Report,
Provincial Auditor:

Government Advertising

Year 2000/Information
Technology Preparedness

Comité permanent des comptes publics

Rapport annuel 1997
Vérificateur provincial :

Publicité gouvernemental

État de préparation de la
technologie de l'information
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Hansard Reporting and Interpretation Services
3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 25 November 1999

Jeudi 25 novembre 1999

The committee met at 1033 in committee room 1, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
GOVERNMENT ADVERTISING

Consideration of chapter 2, guidelines recommended for government advertising.

The Chair (Mr John Gerretsen): I'd like to call the committee to order. The first issue deals with government advertising.

I wonder if you could all identify yourselves for the Hansard record.

Ms Michele Noble: I'm Michele Noble, Deputy Minister of Management Board Secretariat. With me is Suzanna Birchwood, the director of communications with the ministry, the area to which the staff that constitutes the Advertising Review Board reports. I also have with me Scott Campbell, the corporate chief information officer for the OPS, and Paul Scott, the ADM responsible for the Y2K initiative and in charge of the corporate project management office.

The Chair: We have split the two issues into separate sections. We will deal with the government advertising issue first, for about 40 minutes. If you have an opening statement or a response to the auditor's report, perhaps you could indicate that to us now, and then we'll have questions from the members of the committee.

Ms Noble: I understand the committee would like to speak first to the advertising and then to the other item.

The Chair: We will deal with the other item about 40 or 45 minutes from now.

Ms Noble: That's fine.

In a couple of very brief opening remarks, I would like to thank the members of the committee for the opportunity of being here this morning to discuss this issue in terms of bringing members of the committee up to date with respect to the advertising directive and to comment and try and put this in the context of some work we're doing on the corporate directive in general.

Management Board Secretariat has recognized the importance of good management practices and accountability. To that end, the secretariat has, over the last couple of years, been engaged in a project whereby we are looking at the question of directives in general and trying to bring them up to date with current good public administrative practice.

To that end, we've been looking at areas such as the business planning process and also at corporate audit. We've also been looking at new financial human resource information systems as a way of improving our capacity to work within these directives, and then, as I mentioned, the directive initiatives themselves.

The directives are an essential part of the government's accountability cycle. What we're doing in looking at them is to try to make sure we have outlined purpose, application, scope, principles, mandatory requirements and responsibilities as a general framework that we wish to bring all the directives into compliance with.

In terms of looking at the directives, we are working with a set of values—supporting them—dealing with quality public service, fairness, effectiveness, integrity, openness and dealing with the questions of accountability, setting a fundamental foundation within the directives.

To help us manage the review project, there is a forum of responsible officials across the public service who have been involved with us in trying to update these directives and bring these into compliance with public administrative practices at this time.

There are currently 132 directives. They are available. This is down from 160 two years ago. Many of them have been revised, and some that were no longer relevant have been removed. We are basically trying to ensure that the government's commitment to spend wisely and be accountable is being met.

The other element with respect to the directives is that we go through a process of consultation. We are also working with a process of plain-language writing. We work with legal services, look at the question of human resource impact, and look at the issues of making sure appropriate communications are in place, that the procedure is well understood and that the approvals take place.

Within this general context, we are currently looking at the advertising and creative communication services directive, and it's being updated to reflect changes in the advertising world. As well, the concerns of the Provincial Auditor around certain advertising and communications campaigns are being addressed as part of the comprehensive look at the advertising directive. So we are taking into account the observations of the auditor as part of this process.

By way of background, the directive that is currently in place, which is under review, was created in 1985 to

provide principles and requirements for buying advertising and creative services. So the focus of that directive is on procurement. Since that time, changes have been made related to procurement practices. In 1994 they were changed to reflect arrangements with Ontario in terms of trade agreements, and in 1998 there were amendments in terms of the Canadian content clause.

It is important to note that the nature and scope of advertising has changed significantly over the 15 years since the directive was created. A significant review of the directive was called for, and today we are looking at new and different ways of sharing information with the public on the government programs and services. To that effect, recently there was an article in the *Globe and Mail* about the Internet as a vehicle of communication. That is the kind of thing we have to take into account to ensure that the directive in this area is appropriate. So that reflects where we are today.

On the review, we worked over the summer, looking at other jurisdictions and what they have done. In the fall, we have been talking to other ministries and looking at their particular needs, issues that have arisen in terms of the use of the current directive. We'll be pulling this together to have a revised directive as quickly as possible, taking into consideration the various inputs we've had and, as I said, certainly the auditor's comments are among the issues we're taking into account.

The Chair: We'll start with about five minutes for each caucus, and then we'll use up the remaining time. We'll start with the Liberals, and then NDP and the government caucus.

Mr James J. Bradley (St Catharines): Management Board of Cabinet and the Management Board Secretariat are supposed to be a totally non-partisan part of the public service. Some of you have been here for several governments, so you can comment on it in a generic sense. How much of the advertising policy is actually out of your hands and influenced significantly by political appointees of any government that happens to be in power, instead of simply in your hands?

Ms Noble: In terms of the responsibilities we have, we provide the staff work in preparing the advice to Management Board of Cabinet, which obviously is made up of the members of any given government of the day. So we provide that work, and it is the responsibility of Management Board to then approve the directive, in terms of setting the framework.

With respect to day-to-day operations, the staff perform the function of being responsible for the process of procurement in compliance with the directive. We have a role that we play at Management Board, but individual ministries also have their own responsibilities under the directive.

So from the point of view of the operation, of ensuring that the process is undertaken, the staff officers are responsible for that. Obviously the program directions of the government of the day and those kinds of elements would become the content elements in terms of communication, and clearly the individual ministries are

responsible for looking at their needs in terms of advertising support. The question of dollars has to be dealt with as other budgets are dealt with in terms of making dollars available.

Mr Bradley: Each political party has a person we could all think of, as elected members, who probably has too much power in each of our parties when we've been in government, who directs the general communications program of the government from a political point of view. How much power do you have to resist the directives of political people in the Peterson, Rae or Harris governments, the political person who is out there trying to make the government look good in a political sense? How much power do you have to resist that from any government?

Ms Noble: The traditional relationship between the public service and the government is that the government and the ministers are responsible for the operations of their departments and the decisions they make, and we are responsible for providing advice to them. I think we carry out those responsibilities. Again, I point to the question of determining what is needed in terms of moving forward on the government program. The minister of any individual department would be responsible for making those decisions.

Mr Bradley: This may be a more difficult question, but would you find it helpful to have some independent body review government advertising from the point of view of determining whether it's partisan or not? Again, regardless of what government happens to be in power, would you find it to be helpful for Management Board to have an outside agency of some kind, just from the view of whether it is partisan or not, review it? Would that be helpful or not helpful?

Ms Noble: Obviously, within the context of whatever directive is there and approved, then the appropriate mechanisms would have to be in place to ensure that that is taking place. The issues in terms of the use of the advertising have traditionally been much more on the procurement side. The question at the moment which has surfaced in terms of the definition of "appropriate advertising" is obviously something that is being considered in the context of the current directive. I think the question then will be in terms of setting the accountability for whatever is ultimately decided should be the principles and guidelines.

Ms Shelley Martel (Nickel Belt): Thank you for coming today. Clearly, the auditor's concern had to do with the difference between government advertising and blatant political, partisan advertising. That's the issue before us today. I heard you say in your remarks that the directive is being amended to take the auditor's concerns into account, but I'd listened carefully and it wasn't clear to me how that concern, which I think is what we're discussing today, is being addressed. I heard you talk about all the other directives you're amending, etc, but with respect to what's the difference between partisan advertising and government advertising, how are you changing the directive to reflect his concerns?

Ms Noble: The auditor's report I think was signalling a concern that has been brought to his attention and he was offering as models other jurisdictions in which there had been variations on approaches in terms of how the principles and values of this question should be dealt with. When I commented that we're taking it into account, we are in fact including among the areas of the other jurisdictions we're looking at the models that those jurisdictions have used. We've also been looking at what other jurisdictions in Canada are using. In terms of taking into account, my understanding of what the auditor was implying is that the current directive does not provide sufficient guidance in this area. Consequently, we are looking at the other models that he directed us to as well as to other jurisdictions to find how others have handled the issue of providing greater guidance.

Ms Martel: Your directive would then be seen by the government members on Management Board and either confirmed by them or rejected by them.

Ms Noble: That's correct. The directives will have to go to the board for approval.

Ms Martel: When do you anticipate being able to bring something forward to the board?

Ms Noble: As soon as possible. It'll probably be within the next few months.

Ms Martel: Can you give the committee a sense as to what other jurisdictions—there didn't seem to be very many that you could pattern yourself after—you are looking at in that context in more specific terms?

Ms Noble: We have, as I said, followed up and have actually been looking at the areas that the auditor raised in terms of New Zealand. We've also been looking at the UK. We also are aware of some work in Australia that I believe has been patterned on the New Zealand experience. We've been looking at the federal government and we've also been looking at other provinces. In terms of the other provinces, what I can indicate to the committee is that they have not tackled this issue. In fact, I would say the Ontario directive, in the way in which it deals with procurement, is a much better directive on that front than perhaps some of the other provinces have.

Ms Martel: Just to follow up from where Mr Bradley was, this has to do with independence. At least in the UK and New Zealand we are told that the auditor can audit against guidelines that the assembly has established. Would it be your view and what you submit to Management Board that you would be looking at our auditor to audit specific criteria or guidelines that have been attached to it, or would you be looking at an independent agency to do that?

Ms Noble: At the present time the auditor is positioned to audit against all of the Management Board directives. At a minimum, this directive would fall into that category so it would be within the auditor's purview to audit against that.

Mr Bob Wood (London West): My understanding is that the advertising directive was created in 1985. I presume that this directive was used when the Liberal government spent, from 1985 to 1990, some \$277 million

on advertising, as adjusted for inflation, and presumably the same directive that the NDP used when they spent some \$200 million on advertising. Could you tell me what you see as the fundamental purpose of the directive that all three parties have been operating under for the last 14 years?

1050

Ms Noble: Actually, we've got copies of the current directive which we could distribute to the members of the committee. If you've got them, in the preamble the purpose and application of the directive is set out in the front part of that. I think the focus of the current directive, as I said, is on the procurement side. It was very much concerned at that point in time with issues of procurement and fairness, and transparency in the procurement process.

It also sets out the rules and responsibilities of the various parties, ministries, deputy ministers etc and puts those in place so that everyone has a clear understanding of the responsibilities they have. Also included would be the responsibilities of the Management Board Secretariat with respect to it. It's to establish the principles that are under use. The focus, as I said, was very much in terms of some of the procurement elements but it also does set out the roles and responsibilities.

The Chair: Just to make sure about the directive, you're talking about the directive that was handed out in April 1998?

Ms Noble: Yes. The reason for that particular date is that that reflects the last time it was amended, so we reissued them with the amendments. The 1998 date reflects the change in there, the change with respect to Canadian content, and that was what caused the reissuance. With the exception of that and the reference to trade agreements, the directive is essentially unchanged since 1985.

Mr Wood: The question of past auditors' reports was discussed earlier this morning. In 1988, the auditor found with the Peterson government that, "Excessive costs were incurred and taxpayers often did not get proper value for money." He found that \$30 million worth of taxpayers' money had been wasted. I guess the Liberals had a few problems with their own directive and that may explain why they haven't talked a lot until recently about the effectiveness of the directive.

Did I correctly understand you to say a couple of minutes ago that there have been only minor changes to the directive since 1988? Is that what I heard you say a couple of minutes ago?

Ms Noble: That's my understanding.

Mr Wood: So the substance of the directive has been the same between 1988 and now?

Ms Noble: With the exceptions that I did note in terms of reflecting the trade agreements and the change to Canadian content.

Mr Wood: In taking a look at the auditor's report, he said: "The Canadian federal government and the other nine provinces do not have guidelines in place to distinguish between political and non-political advertising." He

goes on to say, "The United Kingdom and New Zealand have adopted conventions acknowledging that it's quite legitimate for governments to use advertising to communicate with their publics."

We've heard discussion this morning about guidelines in other jurisdictions. British Columbia, for example, has these guidelines. They help ministries develop and maintain their communications plan and ensure that advertising, publishing and promotional resources are used efficiently and effectively.

Madam Deputy, as you pursue the review of this directive, what effect is the auditor's report going to have on your review?

Ms Noble: As I was commenting slightly earlier, the auditor has clearly expressed the opinion that there is insufficient clarity in the directive as it currently stands. As I said, we have been looking at the New Zealand jurisdiction. We are also looking at the UK, and we have some recent Australian experience. But we have also been looking at other jurisdictions, so we are going to be looking at this question and dealing with the question of clarity.

The Chair: One more minute.

Mrs Julia Munro (York North): I want to come back to that issue you've referred to with regard to the question of looking at other jurisdictions. It seems to me from the information that has been provided to us that those other jurisdictions have set up what could be described as fairly broad principles. In looking at what appeared to me to be very broad principles, I wonder if you would care to comment on what you see as a possibility in terms of a direction that you'd want to recommend in the way of a directive.

Ms Noble: In terms of looking at those principles, given the auditor's comment that he felt that they provided greater guidance, we obviously have to pay particular attention. I think the comment that they are very much at the level of principle is an accurate one, so we're looking at the language there and looking at it from the point of view of its appropriateness within the Ontario context. But at the moment, given that we are not yet at the stage where we've totally completed our consultation, we've not yet moved to the point of formulating recommended language.

The Chair: The time is up now. We'll have another go around. Mr Cleary.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): Just to carry on from the previous conversation, how long will it be before you think there will be some changes, or could be some changes?

Ms Noble: As I said, I think as quickly as possible, sometime in the next few months.

Mr Cleary: So that'll be in the year 2000.

Ms Noble: I think certainly at some point they would be there for application during the year 2000-01.

Mr Cleary: OK. At the present time, the director for advertising, I understand, comes from Management Board.

Ms Noble: The directive is approved by Management Board of Cabinet, yes.

Mr Cleary: Right. So all ministries have an input into that advertising.

Ms Noble: Into the creation of the directive?

Mr Cleary: Right.

Ms Noble: We are involving a discussion with other ministries as part of the process we're working through at the moment to formulate recommendations in terms of changes to the current directive. I can't speak to the process that took place when the directive that is currently in place was developed. I wasn't there at the time.

Mr Cleary: Jim, do you have something?

Mr Bradley: Yes. I saw a central control and also you said that ministries had some degree of independence to conduct their advertising as they saw fit. I'm trying to determine just how much control you have over those ministries, whether it's just a general directive or whether you can pronounce on the advertising campaigns that would take place within specific ministries.

Ms Noble: The way in which the directive works at the moment, and you can see from the language, is that individual ministries and individual deputies have accountability under the directive for carrying it out.

What we have as a responsibility centrally relates to the operation of the Advertising Review Board. Ministries are expected to be in compliance with expectations such as, they have to work with the Advertising Review Board for the selection of creative resources. The Advertising Review Board has a role to play specifically where the campaign is expected to be in excess of \$500,000. So that all comes through the board and is handled that way.

The staff are responsible for the supports to the procurement process of resources. For instance, where there's a vendor-of-record approach for a roster of creative resources, we provide support to the Advertising Review Board for that procurement process.

In terms of the particulars of the creative content of an advertising campaign, we look at it from a very basic point of view, from a technical point of view, in terms of: Does it look as if it's going to meet the needs of the campaign that the ministry has determined is the campaign they need? For instance, one of the policies which we operate under is to ensure that, depending on the particular campaign, there's a representative reflection of Ontarians, should that be appropriate to the particular campaign.

We check it for those kinds of things, but the actual decision that we need a creative campaign would be made by independent ministries. They would be responsible for having the authorized budget etc for undertaking a campaign and they would be responsible for working within the context of the directive in terms of that campaign being created and carried out.

Mr Bradley: Do you think it would be advantageous for the Management Board Secretariat, being as it is totally non-partisan and independent, to have more specific control over individual campaigns by ministries?

I know you set the guidelines; I know there's kind of an overseeing. Do you think that more power should be concentrated in the hands of the Management Board Secretariat to ensure that the advertising by individual ministries is in fact appropriate?

1100

Ms Noble: That's the kind of question we deal with on many fronts, as to whether or not you need centralized control. I think the principles that are at play in the operations of the public administration currently are that there is very much accountability that rests with individual departments and, as I said earlier, individual ministers are responsible for their departments. I think the question of whether or not there should be a centralized control signoff and approval would have to be looked at in the context of whether people felt that that particular accountability was not functioning appropriately.

Mr Bradley: This may be an impossible question to answer, so I'll frame it that way. Would Management Board Secretariat feel slighted by the Legislature or the government deciding that it was going to have an independent review board which would deal strictly with whether advertising is of a partisan nature or it is not? I can think of advertising by every government I've sat in the Legislature with that may be defined as not exactly non-partisan when I think of different ads all through the years. Would noses be out of joint at the Management Board Secretariat if such an agency were established?

Ms Noble: I think I can safely say, from the point of view of the public administration, it's obviously up to the Legislature, if it wishes, to make that decision, or if the government wishes to have an independent body. Would we be slighted if we had an independent body making decisions? That would be someone else's decision and we would be working within that framework.

Ms Martel: I noticed that there were Management Board exemptions to the directive, specifically on page 4 with respect to Canadian content, and then on page 5 with respect to the controls on advertising campaign themes being reviewed by the Advertising Review Board. Can you explain to me under what circumstances Management Board would be permitting exemptions? Can you give us some concrete examples?

Ms Noble: Perhaps in terms of dealing with the trade agreements. The trade agreements call for all advertising over certain levels to be posted. This is really a procurement of services question. I think there would be very rare exceptions, and exemptions are by no means a matter of routine. However, the public posting under the trade agreement requires a minimum number of days of posting. There may be an issue of urgency and it would be on that basis that the board might approve an exemption. So the case would have to be made that it was absolutely urgent that something be done and you didn't have time to go to a public RFP process for X number of days on the MERX.

In those circumstances, that wouldn't necessarily mean that people didn't check and have more than one

bid, but they simply would not be posting it publicly on the MERX system, which is what we use as a means of complying with the trade agreement.

Ms Martel: I'm unclear as to the role of the Advertising Review Board. This is a branch of Management Board?

Ms Noble: No, the Advertising Review Board is actually an agency, and the members are appointed by the government.

Ms Martel: By OIC. Are they full-time or part-time?

Ms Noble: They're part-time.

Ms Martel: How many board members?

Ms Suzanna Birchwood: There are currently six board members.

Ms Martel: What are their terms? Are they three-year?

Ms Birchwood: They're appointed to three-year terms.

The Chair: Could you just identify yourself for Hansard.

Ms Birchwood: I'm Suzanna Birchwood, from Management Board, communications.

There are six board members, and they work on three-year terms.

Ms Martel: They would be reviewing every item with respect to communications or advertising that is over \$500,000?

Ms Noble: They are responsible for obtaining the services for those which are over \$500,000.

Ms Martel: So they just do the tenders, then. Are they responsible for ensuring that the directive is also enforced?

Ms Noble: The directive as it applies to the procurement process. Those are one and the same thing.

Ms Martel: Would there be a difference between procurement, where I would think in terms of supplies on the trade side, versus hiring expertise for ads, like television ads, leaflets, that kind of thing?

Ms Noble: They're responsible for obtaining the creative service. They're not responsible for the content of the campaign. The Advertising Review Board was a response to ensuring that there was some impartiality and to ensure transparency in the way in which this type of service was obtained by government.

Mrs Munro: I want to come back to the question I began on the previous round with regard to the general principles. In the work you're doing right now, are there any jurisdictions which have adopted these principles that you're looking at that have any kind of role for a third party?

Ms Noble: A third party being an independent third party?

Mrs Munro: Yes. There has been much discussion about the notion of the need for a third-party process. I believe we're looking at principles that come from the UK and New Zealand, and I just wondered if, in establishing those principles, they had also established any kind of third-party process.

Ms Noble: Not to our knowledge. In terms of the materials we have, they don't speak to a third party being there.

Mrs Munro: So these in effect are simply guidelines that would cover the kind of work that is being done now?

Ms Noble: The information we have obtained would be the equivalent of our directive. It sets out the expectations and process, and there is no third party mentioned in the materials we have.

Mr Bart Maves (Niagara Falls): Just two things. The first is that at the start I asked for a copy of the 1988 auditor's report, where we looked at government advertising and communications expenditures. Back in 1988, they reported—I'll just read from it:

"Advertising goods and services were acquired with insufficient regard for economy. Many of the expenditures we reviewed did not result from the ministries or the secretariats receiving value for money. For example, competitive selection procedures were not followed for subcontracted goods and services. Estimates invoices were not supported with adequate detail. Excessive costs were incurred. Questionable expenditures were made."

That was done under a 1985 directive. If that could happen under a directive that is virtually unchanged, I have to ask you, in a nutshell, how would you say we've tightened procurement policy so this type of thing doesn't happen again? How would you say we're managing the system better so this type of thing doesn't happen? The Liberals didn't change it after the report came out, the NDP didn't change it and apparently we didn't really change it except for the Canadian content. So I'm just curious; how would you say we've tightened up so this type of thing doesn't happen again?

Ms Noble: There are two elements. One is the content of the directive itself. I think the directive that is in place is fairly clear, and I am not aware that there are particular concerns, given that the issues raised were procurement, that it is the directive that is judged not sufficient. What the audit report of 1988 spoke to was issues of compliance with the directive and that really comes down to the understanding of people about what is expected of them.

What can be said is that as part of the work that is being done in terms of the restructuring and reform within the public service at the moment, there is a great deal of emphasis being placed on the issue of accountability. This is being reinforced with respect to a directive on accountability. It has been made much clearer within the public service in terms of individual managers and staff responsibilities for working within the framework that is set for them.

In terms of what we have done, I think it really has to do with creating and changing culture and reinforcing within the culture the expectations of people that they will operate in compliance with the directive.

As I said, I'm not aware of concerns about the deficiency on the procurement side, although obviously there may be questions that we need to make sure we've

looked at before we finalize new language. I think it has much more to do with the culture within the organization, and there has been a considerable amount of effort made to reinforce with management the expectations that these are very serious and that there are clear expectations that they shall be complied with.

1110

Mr Maves: With that in mind, politically I was smiling to myself, but as a taxpayer I was very frustrated when, last year or a year and a half ago, I came home and my wife had a fridge magnet on our fridge of Tommy the Tooth or Marty Molar or somebody with a toothbrush in his hand. It was a red and white fridge magnet, a little thing, and at the bottom all it said was, "Elinor Caplan, Minister of Health." As a taxpayer, I was frustrated. As a politician, I was delighted because at the time Mr Bradley was after our government about what he thought were our partisan ads.

Going by what the auditor talks about, the New Zealand audit office—he uses some of the principles they have in place—this fridge magnet, to me, didn't explain a policy of the government in any way, which is something that New Zealand says it should do. Secondly, it didn't inform the public of government services available to them at the time, unless the tooth was going to come and brush people's teeth for them, I'm not sure, and it didn't inform the public of their rights and liabilities under the law. These are just some of the things that the New Zealand audit office has in place as principles about material.

Given your first answer about a change in culture, do you think the Ministry of Health would be able to produce thousands of fridge magnets like that again, or do you think there's a possibility that could happen again, or with a change in culture and all this, is there anything that would stop us from being able to produce thousands of fridge magnets like that again? I know it's an odd question.

Ms Noble: I'm not sure if it's designed for a straightforward answer. But I think certainly within the context of expectations, we need to deal with the purposes, and I think to the degree that there is clarity brought in terms of the guidelines, and to the degree that whatever those guidelines are, there is work that is outside those guidelines, my view would be that the expectation would be that people would be complying with the guidelines.

I think what I hear being said is in terms of New Zealand, would that comply? The answer probably would be no.

The Vice-Chair (Mr John C. Cleary): Thank you very much. I think the time is up now.

MANAGEMENT BOARD SECRETARIAT

Consideration of section 3.12, Year 2000/information technology preparedness.

The Vice-Chair: OK. Could we move on the next section. I would ask you to introduce your new people as they're coming up to the table.

Ms Noble: Just to go over it again, to my immediate left is Scott Campbell, who is the corporate chief information officer for the OPS. To his left we have Gail Peach, who is with the Ministry of Health office responsible with respect to the outreach on Y2K. I also have, to my right, Paul Scott who is the ADM responsible for the Y2K project for the government of Ontario.

The Vice-Chair: Thank you very much. Do you have some opening remarks?

Ms Noble: I do, with the committee's indulgence. I guess the first thing to say is that, all along as we've been working with the Provincial Auditor's office, not just on this most recent report but on the previous one, I think we at the secretariat have been very much concerned that we need to ensure that the public service and the government operations in Ontario are prepared for the year 2000. I'm pleased to advise you that much progress has been made since the auditor's review for the period ending March 31, 1999.

I'd like to, first, provide you with an overview of the program and then to bring you up to date with the status of Y2K or year 2000 readiness of the province and the measures that have been taken to address the issues raised by the auditor.

As I said at the outset, we have found and have taken the challenge of the year 2000 extremely seriously. As the auditor reported, the cost of year 2000 compliance for Ontario government ministries is estimated at between \$350 million and \$400 million.

In addition, at the time of his review, \$324 million had been allocated to hospitals, \$32 million to other health sector organizations and \$89 million to other key parts of the broader public sector to assist them in their preparations for system remedy and equipment replacement. This has been through ministries such as health, community and social services, and education and training.

The government's year 2000 program began in 1996 when the information and the information technology directions committee established the year 2000 co-ordination council. As the program began to expand, Management Board Secretariat established the year 2000 corporate project management office—that was in 1997—to coordinate ministry efforts, monitor progress, manage resource issues and report on progress to Management Board of Cabinet. Each ministry is responsible for ensuring its own year 2000 readiness.

The year 2000 project is the largest information technology project the government has undertaken. Our major challenge was to identify, fix, test and reimplement any date-sensitive technology. To achieve this within the time available, we focused resources based on criticality and risk. We also established target dates for completion of significant project activities.

As the project proceeded, we closely monitored and applied confidence ratings for each project. Where acceleration was needed, we required the ministry to develop specific detailed action plans in order to accelerate the project. Throughout the process, we have

applied quality assurance measures and due diligence principles to gain comfort that we had done not only the right things, but we had done them in an appropriate fashion.

The auditor acknowledged that we had implemented a number of sound practices in both his 1998 and 1999 reports.

The government's priority was to focus in on the mission-critical projects first. There were 63 projects identified within the Ontario public service where computer systems are essential to a ministry's operations or its ability to provide services to Ontario, where public health and safety may be impacted, or where critical payments or collection of revenue may be prevented were the systems to fail.

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Following his 1999 review, the auditor recommended that the government should further accelerate the conversion of mission-critical projects. I am happy to be able to report to you that all 63 mission-critical projects are now complete and considered Y2K ready.

The government's next level of priorities was to focus on business-critical projects. Business-critical projects include systems or technology components that support mission-critical projects, core businesses or internal administration processes. Two hundred and forty-three such projects were identified as important in supporting the effective and efficient management of government programs and services and are broken down into three levels. Of the 243, 53 were deemed to be business-critical tier 1; 127 were considered business-critical tier 2 projects; and 63 were business-critical tier 3 projects.

To illustrate, an example of a business-critical tier 1 project would be the laboratory equipment project at the Ministry of the Environment. This project has been undertaken to remediate specialized environmental testing equipment at the ministry's laboratories. The Ontario Science Centre exhibits and support systems is an example of a business-critical tier two project. They are with the Ministry of Citizenship, Culture and Recreation. This project involves the remediation of attraction exhibits and support systems including computerized exhibits, OMNIMAX theatre systems, security systems and telephone systems at the centre.

The remediation of a correspondence tracking system which tracks the receipt and disposition of correspondence received by the deputy's office and other offices at the Ministry of Consumer and Commercial Relations is an example of a business-critical tier 3 project. Through those examples, I hope the committee can see the way we weighted and set priorities at the three levels.

During the 1999 review, the auditor recommended that the government further accelerate the conversion of business-critical projects. As of November 16, 91% of all business-critical projects were complete. The corporate project management office has reviewed and confirmed ministry plans for completing all required business-critical systems by the end of 1999. Contingency plans

are in place for any projects that are currently incomplete and which support necessary service.

The auditor has also recommended that the government should further accelerate the development of contingency plans. Each ministry is responsible for developing and testing a comprehensive business continuity plan for its key businesses, focussing on maintaining critical business operations should problems occur. I am pleased to report that all ministries have plans in place that will be activated in the event of a disruption.

To meet the year 2000 challenge, the government has also identified priority sectors, which include the broader public health sector, public safety and emergency preparedness, water and sewage, and power. The broader public sector organizations and other service providers are responsible for their own year 2000 readiness. However, the government is liaising with these organizations and service providers and collecting information from them about their own states of year 2000 readiness. Depending on their relationship, ministries have provided some financial support and assistance to the BPS organizations and other service providers from time to time.

The auditor expressed his particular concern with regard to the broader public health sector and recommended that the government should intensify monitoring the readiness of hospitals. On the basis of data provided by the hospital sector, 89% of hospitals will have completed their remediation by the end of November and 100% by December 31, 1999. More than 92% of all hospitals have reported completion of their contingency plans, and all will be done by the end of December.

At the end of his summary report, the auditor referenced other detailed review observations. Included in them, the auditor recommended that the Ontario Realty Corp should devote additional resources to its remediation efforts, closely monitor progress and develop contingency plans. Additional resources have been assigned to complete outstanding work including the development of contingency plans. In addition, the corporate project management office continues to closely monitor ORC's progress.

The auditor also recommended that MBS should develop and distribute system certification criteria as soon as possible and set target dates for systems to be certified. I am pleased to report that ministries confirmed their state of readiness as at September 30, 1999, using a self-assessment or certification program which incorporated information from independent third-party reviews.

Finally, the auditor recommended that ministries should ensure that their business-critical project plans include detailed steps for each phase. Ministries have submitted detailed action plans to the corporate project management office.

As we approach January 1, 2000, I believe we have taken prudent measures to manage the risk associated with the year 2000. We have implemented plans to restrict activity at key times and control the systems

production environment to promote a smooth transition through the critical event period. In addition, a corporate response centre and ministry response centres will be established to address potential disruptions and issues that may arise during the transition period. Vacation and overtime policies are in place to ensure that key staff will be available during the transition period, which has been defined as December 27 through January 10. Protocols are being developed to effectively manage communications as well.

During the transition period the corporate response centre will have a representative in the Emergency Measures Ontario provincial operation centre to act as a liaison and keep the corporate response centre apprised of emergency situations in the unlikely event that any should occur.

The government has taken the challenge of year 2000 extremely seriously, and we will continue to manage the risks related to the year 2000 in order to minimize service disruption for Ontario citizens and to protect their safety and well-being.

This concludes my remarks to the committee.

The Vice-Chair: Thank you very much. It is my understanding that we'll go in five-minute rotations starting with the official opposition.

Mr Bradley: Like Mr Maves, I am amazed that nobody figured this was going to be a problem until the late 1990s, and now it's all we hear. We're probably sick of hearing Y2K, but nobody anywhere seemed to talk about Y2K problems until nearly the very end.

I guess the overall question I have, in the absolutely worst-case scenario we hear from those who have written those books and promote them on various radio and television programs, what contingency plans are there, if you are able to reveal them, in terms of public order if all hell breaks loose on January 1, 2000? That's the most extreme scenario, but you keep hearing people saying this could happen and we'll have the army in the streets and maybe no police are going to be able to be off at that time.

What contingency plans are there in terms of public security?

Ms Noble: Perhaps I could answer generally and then invite colleagues to add anything if they wish.

In general, the approach to this at all levels has been one of very strong co-operation and coordination. Consequently we hear that the province has been working very closely with the federal government initiatives on their very strong ties between Emergency Measures here in Ontario and the people in Ottawa, and so they are coordinating plans within their own operations. Emergency Measures here in Ontario is working with individual municipal jurisdictions within the context of how they work together around Emergency Measures plans.

At the individual municipal level, clearly they would be making plans with respect to public security within their own areas, and so I don't have details of which incident would promote what reaction. But I think I can tell the committee that the manner in which this has been

done has been based on very strong cooperation between various levels of government and in terms of jurisdictions across the country. As well, I'm aware that the federal government is also working in cooperation on a North American grid. So we have a series of groups working cooperatively, one with the other, in terms of insuring that plans are in place.

I don't know whether Paul wants to add anything to that.

Mr Paul Scott: Only to say that the provincial operations centre, which is the instrument of Emergency Measures Ontario operation, will be in operation beginning December 30, as if there were an emergency, and totally prepared to respond to any kind of emergency that arises and, as the deputy said, is in touch with the national contingency planning group in Ottawa. So every step has been taken, and they've all been tested. There was a two-day test of our emergency measures operations in September to ensure we'd be ready.

Mr Bradley: Again, it's difficult for government to control everything. We talked about hospitals a little while ago in the committee. Without going into detail since we were in camera, I guess, we talked about what happens with hospitals and so on. But what about something even broader than that, over which you would have a bit of leverage only because you pay the bills?

Let's focus on medical things, for instance. Whatever is going to happen with doctors' offices and other medical clinics that aren't hospitals, which you can fairly directly control. Whatever is going to happen in those situations? How are we controlling them, and how are we assisting them with their computer systems. As we know, virtually everything is on computer, and I guess there are two things to look at: You could make a mistake money-wise but, more importantly, a mistake on medication or on a diagnosis or something of that nature. How much control do we have there and how much directive have we given there?

1130

Ms Gail Peach: We have been surveying on a quarterly basis all of the broader health care sector, all of the institutional components. We also did a survey of the medical profession, laboratories and pharmacies across this province through a telephone survey that was randomly sampled. We did a very extensive survey at the beginning specifically with physicians to identify very clearly what type of equipment they had in their offices, and we found out that there was actually very little equipment in their offices that would be implicated because of computer chips and digitalization.

We also then funded all of the health care associations, such as the Ontario Hospital Association, the Ontario Medical Association and the pharmacists' association, to develop educational materials and toolkits that were distributed to their members so that they would be able to know what the issue was and how to proceed in an organized way to address the problem. We believe and certainly the reports that we get back from the associations are that there has been very extensive education

and support provided to all components of the broader health care sector.

Ms Martel: I ask for the indulgence of the deputy. I do want to ask questions on this, but there was one question that I forgot on the advertising, so I just want to go back to it.

The directive on page 5 is very clear. I'll just quote it for Hansard: "The names of ministers and/or deputy ministers are not to appear on any government advertisement, pamphlet, brochure, sign or any other media." With respect to the blue highway signs that say, "Your tax dollars at work," have Mike Harris's name on them. They say, "Premier Harris." I'm wondering how that is allowed to happen even now under this directive.

Ms Marilyn Mushinski (Scarborough Centre): It's the same directive you were under.

Ms Martel: I just wanted to raise the point that it's happening now under the Conservatives, and I'd like to know why this is happening and who authorized it.

Ms Noble: The decision about the highway signs was not something that was dealt with through Management Board, if you're asking that question, whether it would be part of a decision that would have been made on program content. I think the question of that language in the directive and its use is something that obviously is under review. It's also a particular element that's addressed I believe in the United Kingdom guidelines, where they actually do allow that there could be names, but under certain circumstances.

Ms Martel: Without changing the directive, because you've told us that the current directive is in place and you're looking at revisions, right now under the directive, as I read page 5, a minister's name, and that would include the Premier because he is a minister, should not be on a sign. It is explicitly forbidden under this guideline, and I would like to know how it happens that right now on highway signs in the province, Premier Harris's name appears. Who authorized that?

Ms Noble: As I said, I don't have the answer to that question in the sense that the decision about content is made by the individual ministries. The question of those signs would not have come through the Advertising Review Board or any central process in that sense, so I can't give you the answer to the question.

Ms Martel: But it would have come to Management Board, would it not?

Ms Noble: No. The design of those signs—in fact, I don't even believe that the money for the signs would have come through. They would have been part of the program project in terms of highway signage.

Ms Martel: What signs are we referring to, then, in the directive if they're not highway signs? What kind of signs are we talking about?

Ms Noble: I wasn't arguing about the definition of a sign. You were questioning who authorized, and I was indicating I didn't have the answer.

Mrs Munro: On a point of order, Mr Chair: I just wanted to raise the issue that we had already agreed on the times for the discussions on this issue. I think that we

have heard an answer from the deputy on the issue, and I would just ask that we go back to our original agreement on the times for discussion of items.

The Vice-Chair: OK. We'll let the deputy finish the answer and then we'll move on.

Ms Martel: She said she doesn't know, so I would ask the deputy to return to this committee—you can send it by mail to our research officer when you find out the details of how that was authorized, because my read of it would be clearly that it should not be authorized and those signs should be taken down. I would like to know how this managed to get past a directive which very clearly talks about signs.

The Vice-Chair: I think we'll have to move on with another question, because we agreed on the 40 minutes for each issue.

Ms Martel: With respect to hospitals, the ones that did not comply even after the auditor had made a recommendation and expressed very serious concerns about Y2K and hospitals not being in compliance, can you give us some indication of what the problem was with those 20 or 30 or so hospitals that even after they were clearly asked by the Ministry of Health to let the ministry know the level of compliance still managed to delay and stall?

Ms Peach: The auditor's report was as a result of a survey that was taken in January. At that time there were 20 hospitals that indicated through their self-assessment that they were not sure they would be able to be compliant and be ready for year 2000 by December.

We have continued to survey on a quarterly basis until September of this year and then we moved into monthly surveys. Since the summer survey, all hospitals have clearly indicated from their self-assessments that they will be compliant for the year 2000. There is no hospital outstanding. In fact, with the directive that went out in October by the deputy minister requesting that signed statements be received by our office that all contingency plans be in place, we have now a 96% response rate that indicates that all hospitals do have their contingency plans in place. The four outstanding hospitals we have been in touch with on a weekly basis, and they have indicated that they will have those signed statements to our office by the end of November.

Ms Mushinski: I'd like to pursue what's been identified by the auditor in terms of the accountability framework and the relationship of the Ministry of Health to the transfer partners or to the broader public sector.

It seems to me that the hospitals, as I recall, were asked to identify what the funding requirements would be in order to upgrade their computers to become Y2K compliant. The money was flowed, my understanding is, much earlier this year, probably January or February, in order to do that. Yet there were still I think 40 or 41 hospitals that did not become compliant by the time the auditor had completed his audit and there was some significant resistance from those hospitals to obey the ministry's directive, if that's correct.

Could you tell me what you have done to make sure that compliance is ready by the year 2000 and, given that certain critical components have been identified, what we're putting in place to make sure that our transfer partners do indeed comply with ministry directives in the future?

Ms Noble: Perhaps I could just make a general statement and then turn it over to Gail.

One of the things in terms of dealing with the broader public sector on this issue, from the government's perspective, the various agencies that the government has dealings with, whether they be hospitals or children's aid societies or some other institution, from the perspective of responsibilities, these are independent organizations and they have an independent responsibility for the operations of their corporations, and I use that term in its very general sense.

Consequently, the role the government has been playing has been one very much ensuring that the sectors we deal with are fully aware of the issues. They are aware of their obligations in terms of readiness and to provide support as we can, in terms of making sure that they are ready. That's the framework within which we've been operating. I will turn it over to Gail Peach to respond in terms of the specifics of your question.

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Ms Peach: Certainly with the results that were reported by the auditor, those were January survey results of a self-assessment. In order to remediate the equipment that exists within hospitals, that takes a certain amount of time, so there was never any expectation that the remediation would be completed by January 1999. The expectation was that remediation and contingency planning would be completed by December 31, 1999, so that the health care system would be ready as we passed through the millennium.

The results are indicating very clearly now that the hospitals are ready and that they have, as of November 15, notified their stakeholders, their communities, as to their state of readiness.

In terms of the accountability and the money that was flowed, in September we did survey the field to gain an estimate as to the costs that were anticipated to do the remediation and preparation for year 2000. Since that point in time, \$387 million has flowed to the broader health care sector to assist them with their remediation and contingency implementation plans.

Mr Erik Peters: I just want to make a small clarification. We never asked whether hospitals were ready in January 1999, that they were complying. You had asked in January 1999, "Will you be ready by December 1999, with the readiness?" I just wanted to clarify that point.

Ms Mushinski: I understood that.

Mr Peters: OK, good.

The Vice-Chair: The official opposition.

Mr Bradley: When you transfer money to various agencies for the purposes of dealing with Y2K problems, how do you police the fact that the money that is allocated to them is actually spent on Y2K problems and not

squirreled away in some other account for other purposes?

Ms Noble: Each ministry's practice varies slightly, but in general we're asking that there be a submission and reconciliation of accounts so that we will have a chance. It won't be for some time, because we're waiting for the material to come in the post-January 1 period. But the processes do include reconciliation.

I don't know if you want more details. We can get some more details from the health sector specifically. Money has been given. If it's found, again specifically in health, it doesn't meet the requirements, then there is an ability to work within the existing financing framework to ensure they only got what they needed for Y2K purposes as part of this initiative.

Mr Bradley: When you were seized of this problem, let's put it that way, for the first time—you may have brought consultants in; more likely you have your own expertise within the ministry of course—did you sit down to try to anticipate how crooks might take advantage of the Y2K problem to disrupt government?

I guess if we were in revolutionary mode where we didn't have a democracy, we might worry that people were going to use it to overthrow the government or something. In this case, I'm thinking of people who could be crooked and try to take advantage of the Y2K problem. Did you have people who anticipated that and you dealt with the problem?

Ms Noble: I think as we approach the date all the parties involved in this process have anticipated that there may be those who wish to cause disruptions and take advantage of the expectation or the possibility of disruption, and steps have been taken. I would leave to Scott Campbell the comments specifically in terms of our own network and computer operations.

Mr Scott Campbell: In terms of the issues around security, we have the normal procedures around security in terms of virus scanning, firewalls, proxy servers, things like that. But in terms of what we are actually doing over the transition period, as we call it, from December 31 to January 1, we have a heightened level of security preparedness. It's fair to say there have been a number of things in the media about this. We are ensuring that all our virus scanning software, for example, is up to date. We are ensuring that all ministries have their virus scanning software up to date. The same thing is true for firewalls and so on.

The other point I would make is that over this transition period, basically this 24- to 48-hour period, we are only running that which is absolutely essential. We're not running all our systems, thereby reducing our exposure to what's absolutely critical to run over that period. As we go through that period and see that things are stable or they need some adjustment, we'll start ramping back up and reinitiating the systems. As you know, December 31 falls on a Friday, and we have a Saturday, Sunday and of course a holiday Monday, so in effect we have three days in which we can reinitiate the various systems and so on.

Ms Martel: Of the \$350 million to \$400 million that it has cost to comply, how much of that would have been directed to hospitals? Do you have a breakdown ministry by ministry or sector by sector?

Ms Noble: There are actually two amounts. The \$350 million to \$400 million that I was referring to specifically is a range on the government, in terms of remediation of its own operations. There is a separate amount that has been set, and I believe currently the number is \$355 million, for the health sector.

Ms Martel: Those would have been the two significant expenditures, internal government ministries and then specifically hospitals.

Ms Noble: Yes.

Ms Martel: What about labs?

Ms Peach: According to the eligibility criteria determined by Management Board, labs were not eligible for financial assistance from the province of Ontario.

Mr Maves: First of all I want to congratulate you, because the auditor, in general terms, for the most part is pleased by the performance that the government has had on Y2K readiness. We shouldn't lose sight of that. You deserve some congratulations.

My last question is going to be, where are you all going to be on New Year's eve, so I feel safe?

You said government-wide you spent \$400 million; on the health sector, \$355 million. Do you have a number that we spent on the whole BPS?

Mr Campbell: In terms of the Ontario public service itself—that's the Ontario government directly—to date we've spent \$316 million. In terms of the broader public sector partners and agents, we've spent \$163 million. In addition, for medical equipment there's another \$300 million. So the total is \$780 million.

Ms Noble: Just to clarify, that's actual expenditures to date. We are anticipating that there are still some bills that we have not yet received. In other words, expenditures have been made but the monies have not yet been recovered. So the numbers, when we finally finish with this, will be higher than the ones we've just given you.

1150

Mr Maves: My question is actually to Mr Campbell, because I think he is an IT specialist. Mr Bradley, when he started off, alluded to it, and that is when people first really tweaked to the whole Y2K problem. I think the earliest we heard of anyone really starting to do something about it was the Bank of Montreal in 1994.

I don't know how long you've been in the government of Ontario, but I just wonder, when did people within the government start to say, "We've got to do something about this"? In general, why do you think it took until the latter half of the 1990s to really get moving on it?

Mr Campbell: You've asked three questions. The answer to your first question is that I've been with the Ontario public service in excess of 27 years.

Secondly, we started to deal with the Y2K issue in November 1996.

Thirdly, in terms of the latter part of your question, I think there is always a tendency to say, "Maybe this will be solved in other ways," and so on.

I think what happened in the early to mid-1990s is that there were many people who felt that many of the systems that were around at the time were actually going to be replaced, that: "Oh, we'll never keep this system up. We're obviously going to replace it with X or Y." As the middle of the 1990s came upon us, people said, "Oh no, I guess we're not. We're going to keep this system, so therefore we have to repair the system as opposed to replacing it." We couldn't replace it, either because we didn't have the time or, alternatively, we wouldn't have had the money. It's a very significant exercise from a financial point of view to replace some of these systems.

And to answer your question, Mr Maves, I will be in the corporate response centre on December 31.

Mr Maves: None of you will be flying?

Ms Noble: No, we'll be here.

Mr Bradley: Not as exciting as my New Year's Eve.

The Chair: You'll be here; we all know that.

Mrs Munro: I just wanted to echo Mr Maves's comments with regard to the work that has been done, obviously in a relatively short period of time. The issue that I think you identified was the issue of the broader public sector and the ways by which that had to be addressed. I think on a long-term basis all of us recognize that that continues to be an issue in providing direction, so I simply want to add a note of congratulations on getting it all together. I'm glad to know that's where you'll be New Year's Eve.

Mr Bradley: I can't possibly think of many more questions to ask about computers, since my laptop consists of a sheaf of lists and my knowledge of computers has been described by some as medieval.

I'm intrigued by the fact that simply changing a date into a new century can somehow throw all these computer systems into disarray. I just find that flabbergasting, if that's a proper use of that word. So unless Mr Gerretsen has some further insights into these computer problems, I certainly will terminate my comments now.

The Chair: My knowledge is just one year ahead of your knowledge. That's about all.

Thank you very much, all of you, for your attendance here this morning and for the answers to the questions that you gave.

1998 ANNUAL REPORT

The Chair: There is one other matter that I wanted to very quickly deal with with the committee before 12 o'clock.

You may recall the 1998 annual report. The issue was raised that there were some time-specific issues in that report and in order to give that report any meaning at all, some of those times had to be changed.

Ms Mushinski: Extended.

The Chair: Yes, they had to be extended, in some cases by six months. Where, let's say, it had been a year

but that year has already passed, I think the suggestion has been made that it be six months. Would you like to address that, Ray?

Mr Ray McLellan: Elaine Campbell prepared this report last year. Elaine is in my office. I sat down and talked to her, and she said that in some instances we'll just have to make adjustments. It's more of a technical nature and certainly doesn't change the content of the report.

As you can see on page 3, paragraph 3, January of this year to January 1998, it's minor things, and in some cases it was a tense they have changed, but certainly not the substance of the report. I have Elaine's assurance on that.

I did speak with the auditor briefly after the last meeting on this issue, and also I spoke with the Chair about it. If the committee is in agreement, it seems to me that it's a fairly straightforward thing. Hopefully that's the case.

Mrs Munro: The only comment I would just wish to make is that in accepting these changes, it's on the understanding—during our previous meeting I believe we had agreed that there would be no changes. I recognize the advice that's being provided to us here today, but just for the record to understand that despite the commitment that we had made previously to accepting it without change, we are now accepting it without change except for these suggestions.

The Chair: I believe it was discussed at the tail end of the last meeting; I could be in error on that. But in effect some of these are merely grammatical changes.

Mrs Munro: I understand that. I'm not objecting to that. I'm just saying that it was my understanding that, when we left the last meeting, the direction was that this would be accepted without change. All I want is to make it clear that, while accepting that in principle, we are then prepared to pass it now with these changes. Is that fair to everyone?

The Chair: That's my understanding.

Mr Maves: Just a question. Is this common practice, that this committee has to approve retroactive changes to a report? Is that why this comes here?

Mr Peters: I just wanted to help out. If you'll recall, at the last meeting the report was distributed to everybody just at the very tail end. What happened is, actually, as you walked out the door you flipped it open and it said all of a sudden that this committee should have had the report by April 1, 1999, on this issue and by the others. Then we had a little bit of a huddle as to how we best deal with it, and the idea was that the researcher would go through and see where we might have been in default; in other words, by tabling the report, by saying we expected reports to happen or things to happen that just didn't happen and the committee didn't know if they had happened or whatever. So what we're doing now—the approach was taken that the researcher would go through the report and see, where there are factual corrections of this nature to be made, that they would be brought forward to this committee. That's where we stand right now and that's why you have it in front of you.

Mr Maves: Do we need to look at the implications of these?

Mr Peters: The only implication is that somewhere you might want a briefing as to whether some of the reports that were promised or that were to be looked at—whether you wanted to have that brought forward or deal with those reports that were in stage. That's really the only other implication.

Mr Maves: Is there any reason why we couldn't just approve this at our next meeting?

The Chair: Maybe that's the best way to deal with it in all fairness, because it was Ms Martel that insisted there be no changes made. Then later on there was discussion to the effect that if there were just some of these grammatical and time changes, she had no problem. Since she isn't here, I quite frankly would prefer to hear her comments as well before we deal with this. Perhaps we could just table this until our next meeting.

Mrs Munro: I'll move adjournment.

The Chair: We're adjourned until next Thursday.

The committee adjourned at 1158.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 2 December 1999

Journal des débats (Hansard)

Jeudi 2 décembre 1999

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 2 December 1999

Jeudi 2 décembre 1999

The committee met at 1045 in committee room 1, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR:
MINISTRY OF COMMUNITY
AND SOCIAL SERVICES

Consideration of chapter 4(3.03) child and family intervention program, and chapter 4(3.04) transfer payment agency accountability and governance.

The Chair (Mr John Gerretsen): Good morning, everyone. I'd like to open the public accounts committee hearings for today. We're dealing with two issues related to the Ministry of Community and Social Services. The committee decided earlier to deal with both issues at once, so the questions may be coming on either one of the reports.

Perhaps you could introduce yourselves.

Mr Kevin Costante: Good morning, Mr Chairman. My name is Kevin Costante. I'm the Deputy Minister of Community and Social Services.

The Chair: Would you like to introduce the other two people, please.

Mr Costante: Angela Forest is the assistant deputy minister of business planning and corporate services. Cynthia Lees is the acting assistant deputy minister of children, family and community services.

The Chair: Did you want to make a short presentation on the two sections?

Mr Costante: I have some opening remarks, if that's OK.

The Chair: Yes, go ahead, please.

Mr Costante: First of all, I want to say thank you for having us here today to respond to the two sections of the 1999 report of the Provincial Auditor. The two areas we were asked to come and talk about today were the transfer payment agency accountability and governance report and the child and family intervention program audits from the 1997 auditor's report.

The Provincial Auditor plays an important role and we very much appreciate the advice we get from him. In these two audits, he was calling for the greatest possible accountability and the prudent, responsible use of public funds, a goal we obviously share with him. I'd like to say that we've been working hard to implement these recommendations the auditor made.

Before I respond to the specific sections of the auditor's report here today, I'd like to set a little bit of context by talking about the ministry generally, if I could.

The Ministry of Community and Social Services is one of the largest ministries in the Ontario government. This fiscal year, our combined operating and capital expenditures are approximately \$7.8 billion, and we have a staff complement in excess of 6,000 employees.

We plan and arrange for an affordable and effective system of community and social services throughout the province. Services are provided to Ontarians who are vulnerable and in need, including adults, children and youth, people with physical and developmental disabilities and aboriginal people.

One of the two core businesses is to provide income and employment supports to Ontario residents who are most vulnerable and in need. Income support is provided through the Ontario Works program, which is municipally run, and the Ontario disability support program, which enables disabled individuals to live as independently as possible. That program is run by the ministry.

Our second core business is to provide effective and accountable social and community services to those in need and invest more of our resources in prevention and early intervention services.

The social and community services that we provide include funding for child welfare, children's mental health and young offender services; funding for child care services for low-income families with young children; funding to help support children and adults with developmental disabilities; and funding for adult services such as support for people with disabilities and for victims of domestic violence and their children.

Most of the social services are provided by community-based, mostly not-for-profit agencies run by volunteer boards of directors. They're commonly known as transfer payment agencies. They receive funding from the government, but they are independent organizations that must meet the requirements of the Corporations Act. Some of our services are also provided by for-profit organizations.

In 1998-1999, the ministry worked with more than 3,100 transfer payment agencies, including child care agencies. Together they received about \$2.1 billion in funding, and that excludes transfers to municipalities for social assistance costs.

As members of the committee know, municipalities are now the primary deliverers of Ontario Works and, soon, child care. As of January 1, 1999, municipalities have assumed delivery of Ontario Works, and by January 1 we'll have transferred our child care responsibilities to them.

Transfer payment agencies include a range of organizations and groups, such as women's shelters, hostels, group homes, associations for community living, First Nations groups, municipalities, children's aid societies and child and family intervention programs.

The ministry is accountable for the services transfer payment agencies provide with our funding, but we do not manage the individual agencies or the employees of those agencies. I should also point out that a number of the transfer payment agencies we support also receive funds from other sources, such as other levels of government, the private sector, foundations or through their own internal fundraising activities.

In the past several years there have been many changes to the activities of the Ministry of Community and Social Services. Much of this change has been as a result of the fundamental reform of the social assistance system with the creation of the Ontario Works program and the Ontario disability support program. The second major change has been the reform of the child welfare system to provide better protection for children in the province, and this has included legislative changes, funding reform, increased resources, training for the staff in the societies as well as the board members, new technology and better procedures to assess and track the services they provide. We are also in the process of restructuring social services for children and adults with developmental disabilities to better meet client needs. We're doing this by implementing our multi-year Making Services Work for People initiative, and we are introducing changes to make the system more efficient and effective for the people we serve.

Making Services Work for People is about making the best use of our resources to ensure that people get the right help at the right time. It will help us move from a service system that is often complex to one where people have easier and better access to information and services through better coordination. Along with these changes, we have also been putting an increased emphasis on programs and services that will prevent and intervene early to help children at risk. By investing in prevention and early intervention, our goal is to avert more intensive, expensive services down the road.

These and other changes have had an impact on our transfer payment agencies, both in what is expected from them and what we provide to them to meet those expectations.

I'll now deal with the specific items, if I can, the first one being the recommendations on transfer payment agency accountability and governance. The provincial audit on that topic, which was completed in the 1996-97 fiscal year, raised a number of concerns about the accountability and governance of transfer payment

agencies, and that audit made a number of valuable recommendations.

Since that time the ministry has been taking steps to carry out the recommendations made in the report and to ensure that the transfer payment agencies use provincial funding in an accountable and responsible manner. While we acknowledge that more remains to be done in this large and complex program area, we are pleased to report that we've made significant progress in response to each of the recommendations of the Provincial Auditor.

In terms of the overall accountability and governance in the ministry, in June of this year we approved a governance and accountability framework that will provide a strategic context for coordinating existing governance and accountability initiatives and the development of new initiatives. The purpose of the framework is to guide work on governance and accountability in the ministry and to ensure there's consistency and clarity in the way work is done.

Historically the ministry has many accountability approaches in each of its various programs. However, we had no overall framework that was consistent across all of our various business lines.

Once the ministry's framework is implemented, we are confident it will result in a strategic policy umbrella for all ministry initiatives affecting governance and accountability. It will bring into place broad principles and mandatory requirements to guide governance and accountability initiatives; create clear statements of results that the ministry expects to be achieved with the expenditure of public funds; performance measures to enhance the reporting and monitoring of results will be in place; and lastly, there will be an understanding by all parties receiving transfer payments of the corrective actions that need to be put in place to ensure that funds are spent in a manner that is consistent with expectations.

As a first step in implementing the framework, we are developing requirements for governance and accountability for the ministry's transfer payment agencies, municipal partners and other service providers. These new and enhanced requirements will establish clear expectations that the ministry has for transfer payment funding and will ensure that we're in compliance with the Management Board directive on accountability by April 1, 2000. We expect that full implementation of the framework will take us several years to put in place.

I can't stress enough how important the implementation of the ministry governance and accountability framework will be in bringing together all the work that has been done in the various program areas of the ministry.

A good example of the kind of work that is being done to improve transfer payment agency accountability and governance is in the area of child welfare reform, where accountability has been built into all of our welfare reform initiatives. The work on accountability is clearly focused on the protection of children and fiscal accountability, and these two goals are directly linked in the accountability framework.

The expectations for protecting children and effective stewardship of the public funds accountability approach in child welfare are supported by clear roles and responsibilities for everybody; service agreements or contracts with children's aid societies; standardized eligibility for service consistent with legislative and regulatory requirements; an improved and streamlined approach to monitoring, which will result in an annual report card on each CAS; a funding framework based on unit costs; and a comprehensive approach to training and capacity building for CAS staff and boards.

In addition, research has been completed on what outcomes should be tracked in child welfare. In particular, Human Resources Development Canada, the Bell Canada research unit and directors of child welfare across Canada have selected 10 important indicators to monitor. Ontario will be the first province to begin pilot testing and implementation of data collection on these indicators. Data collection on three of the indicators will begin in 1999-2000. Information on client outcomes will provide the ministry and agencies with comparative data to assess the effectiveness of the services provided.

In the interests of time I won't go into further detail on the specific actions we have taken on each of the recommendations, and I'll leave that for questions.

I'd like to turn to the second report, and that's on the 1997 recommendations on the child and family intervention program. Again I'll provide a brief bit of context for that program.

First of all, effective and accountable mental health services for children are a priority for the ministry. The Ministry of Community and Social Services is the lead ministry for children's mental health, providing assessment and treatment interventions, as well as prevention and early intervention programs for children up to the age of 18. These are children experiencing social, emotional, behavioural or psychiatric problems.

In 1998-99, the ministry provided \$263.7 million annually for children's mental health services in the province. About 100,000 children and their families received mental health services from over 90 children's mental health centres that were funded by the ministry.

In addition to services funded by our ministry, the Ministry of Health and Long-Term Care funds children's psychiatric hospital beds, child and adolescent mental health clinics and fee-for-service physician and psychiatric supports to children and their families.

Within children's mental health services, the child and family intervention program provides for a range of services for children and families who have social, emotional or behavioural problems. In 1998-99, funding for child and family intervention totalled \$199.7 million.

As the auditor noted, under the provisions of the Child and Family Services Act, the child and family intervention program provides transfer payments to approximately 200 community-based agencies that deliver such services as psychiatric therapy, counselling, skills training and education, as well as residential services to children who require more intensive assistance.

We value the recommendations made by the auditor and we are responding effectively to the issues raised.

I am pleased to report that the ministry is making dramatic changes to client and service outcomes in children's mental health, including child and family intervention, through the mandatory implementation of a standardized client intake instrument and a standardized assessment and outcomes instrument. Working closely with the Ministry of Health and Long-Term Care, the process of selecting these instruments involved a review of clinical intake and assessment instruments currently in use in Ontario and other jurisdictions to determine if any were suitable for implementation across the entire children's mental health sector.

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The selected instruments after that review were a standardized client information system developed by Hamilton Health Sciences Centre and the Centre for the Study of Children at Risk with the support of Children's Mental Health Ontario; the second instrument is the child and adolescent functional assessment scale, developed and widely used in the United States. It is currently being tested in a project managed by the Hospital for Sick Children here in Toronto and involves several agencies funded by the ministry.

Once these instruments are in place, every child and family who calls an agency for service can begin the intake process immediately and hopefully finish within 20 minutes. Also, when children and families move between services, the completed intake and assessment information can be transferred with them.

For agencies, the instruments will provide client data and outcomes that can be used to improve their intake and service delivery, and at the ministry level the instruments will allow us to collect province-wide data for every child receiving mental health services, including the type of service being provided, at what cost it's being provided and with what result. This information will help guide future policy and program development.

I'd like to emphasize that this represents an unprecedented step forward in the area of children's mental health in Canada. No other province in the country uses standardized intake and assessment instruments, nor is able to gather the kind of comprehensive data these instruments will provide.

Both instruments will be implemented in stages, beginning this fiscal year. Phase 1 we will be implementing in 20 sites. The information gathered during this first phase will guide our development of implementation guidelines and a user handbook. By the end of March 2001, all children's mental health centres will be expected to use these instruments.

The government has also listened to many voices concerned about children's mental health services and has responded with an investment of \$20 million annualized, which was announced in last spring's budget.

The initiatives that will be funded by the \$20 million reflect our discussions with children's mental health

centres, psychiatrists, parents and others on how the new funding could be spent to best serve children with mental health problems. Also, our investments will be guided by Minister Marland's findings and recommendations based on her consultations with mental health stakeholders across the province.

Our priority is to improve and enhance children's mental health services through increased resources. We want to develop a clear policy and a collaborative approach that involves the funding ministries and all children's mental health service providers. There are three main objectives for the new funding: to collect and analyze the information necessary to increase the effectiveness and efficiency of the system of services and supports for children and families; to improve access to services for children and families using innovative, evidence-based initiatives; and to increase the flexibility and coordination of agencies funded by our ministry and the Ministry of Health and Long-Term Care.

It is our expectation that early in the new year the government will be making an announcement on further specifics as to how this funding will be used to improve children's mental health services in Ontario.

The ministry will also be improving accountability by conducting a baseline study of the children's mental health service system. This will be completed by March 2000 and will inform us on such service issues as hours of access to services and the ratio of office-based counselling to community-based support.

To conclude then, I'd like to acknowledge the important role the auditor plays and express our commitment to following through on the recommendations he's made to this ministry. We recognize that the public has a right to expect increased accountability from government, and assurance that taxpayers' money is used efficiently and effectively.

Thank you for this opportunity, and I look forward to your questions.

The Chair: Thank you very much. We have approximately an hour left. What I propose to do is give a 10-minute session the first time around and then we'll divide up whatever time is left after that. We'll start with the government side for 10 minutes.

Ms Marilyn Mushinski (Scarborough Centre): The transfer payment agencies accountability and governance portion of the report indicates you have about seven areas where the ministry has transfer partners. Could you tell me how in how many of those areas you use either a base budgeting system that's adjusted annually or some other mechanism, in how many do you have an open competition or a tendering process, and in how many do you budget based on benchmarking mechanisms?

Mr Costante: I'll start with the areas we do base budgets from.

If I can start with Ontario Works, that program is very much based on the number of clients served, and it's a kind of per-client type of payment. The administration of cost tends to be set on the number of clients served, resulting in so much administrative cost. The approach

tends to be the same in the Ontario disabilities support program. Again, it's based on the number of clients being served and the rates they are eligible for.

In the child welfare area, we have developed a new funding framework, which again is based on volume but also benchmarks what we expect agencies to spend in relation to the services they provide. Really, that's a type of model that we would like to move across many of our other service sectors.

Ms Mushinski: So, looking at child and family intervention services and young offenders' services and other programs, you're looking at bringing a uniform base-budgeting process across the board?

Mr Costante: I think what's needed increasingly, and it takes some time to develop, is budgeting based on benchmarking costs, not just paying historic costs. Obviously, there are volume indicators in the services. If the number of young offenders referred to us by the courts goes up, we need some way of recognizing that.

Similarly, when the volumes are down, you need some way that you're not spending money when there are not kids in service. I think we want to go that way in each of our areas.

Your second question had to do with competitions. I think that is increasingly the way we are going. We use an RFP approach to contract for new services. We have not gone back and said to all our service providers that we're going to start from ground zero and do an RFP for all services. But increasingly, when new services come out, we are using an RFP approach.

The Chair: RFP, for the record, is request for proposals.

Mr Costante: Yes.

Ms Mushinski: Thank you.

Mrs Julia Munro (York North): With regard to child and family intervention, it seems to me that some of the points you have raised today need a little more explanation, when we look at the original auditor's follow-up, which described them as "limited progress." Can you explain the difference?

Mr Costante: I'm sorry?

Mrs Munro: What you described to us today with regard to child and family intervention seems much more than the limited progress that was described in the auditor's follow-up report. I wonder if you could explain the difference.

Mr Costante: I'm assuming—and I don't want to put words in Erik's mouth—that by "limited progress" he was saying that some of the things we are doing are not yet on the ground. Our assessment tools are about to go out; we have selected them. We have the new investment of money for children's mental health. Again, the announcement hasn't been made yet. So we've spent the last couple of years getting a lot of things ready and providing the groundwork to do some very exciting work in this area. But—the comment about limited progress—it's not actually there yet.

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Mrs Munro: As citizens of this province, we have been made, in many cases, painfully aware of the need to reform the child welfare system. I wonder if you could outline for us some of the key areas of progress that have been made.

Mr Costante: I mentioned it briefly in my remarks, but I can say a few more words about that. I won't go through the elements again but, in terms of progress, we did legislative changes. Those changes have been incorporated into our new risk assessment tools. Those are in place. We're working with our partner ministries to clarify changes so we can help professionals who relate to the child welfare system understand their roles and the important roles they play in terms of reporting potential abuse.

We have also developed a comprehensive training strategy, and we have recently contracted with the Ontario Association of Children's Aid Societies to provide that training. We have developed a case recording package for field workers. We also have new child protection standards that will come into effect upon proclamation, and we have implemented guidelines for the children's aid societies.

In terms of funding, as you know, \$170 million in increased funding was provided over three years. We're in year two of the phase-in of the funding, and we're in the process of preparing allocations for the next fiscal year.

We're working on trying to make improvements to our foster care program. Right now we, in conjunction with the Ontario Association of Children's Aid Societies, are seeking a sponsor to do a recruitment program to get more foster parents. We're also doing research to select a new foster parent training model, and we're also looking at a children-in-care model that the OACAS is piloting.

In the area of technology, all 54 children's aid societies have a new, fast-track system that allows them to see whether cases were served elsewhere, and that has been a large effort. Over 3,000 new computers have been distributed to children's aid societies, and we've just completed the Y2K testing. There is also a 1-800 number to help workers who are working on the computers in off hours.

As I said, in terms of training we have awarded the contract to OACAS, and we're also working on a manual for board members. If that manual is successful, we will look at developing it further for use in some of our other six sectors, because a lot of the training that board members need is generic to the sector; it doesn't necessarily have to be specific to children's aid societies. That's a bit of an update on progress.

Mr Richard Patten (Ottawa Centre): Deputy, you began with a bit of an overview. Could you give me a picture: Where are your pressures? What programs have you got less resources for now and which programs do you have new resources for, and what's the landscape of your ministry?

Mr Costante: I'll start with the landscape. On Ontario Works, we have declining case loads and declining

budgets. I think the pressures there are to work with the municipalities to get our community placements and our employment programs, our training and stuff, launched and help more people exit welfare.

On the Ontario disability support program, that's a program where the numbers grow slowly but it's a steady growth, a couple of per cent a year in terms of caseload. We're also putting into place on a voluntary basis an employment support program for people with disabilities so that any who want to try can get fairly quick assistance. We're just launching that.

In terms of the Ontario disability support program, the volume of referrals in the first year was quite beyond our expectation. We had a lot more people applying than we had anticipated. So we were dealing with volume pressure and staff pressure there.

In the area of children's mental health, as I mentioned, there is more money. There are high needs in that area. In the consultations that were done by Minister Marland and through our own ministry, people in the children's mental health area are looking for crisis intervention, for more supports for higher-needs kids, for supports in rural and northern areas where access to children's mental health services is not as good. Hopefully in the announcement we'll address some of those pressures.

In the area of child welfare, there is a very strong increase in the number of referrals by professionals and by the general public to the children's aid societies. I think children's aid societies are really struggling to keep up with that volume. It's resulting in more kids in care and more services being provided by CASs. That's a strong pressure area, both service-wide and financially. Our funding framework has a volume indicator on it so we can help respond to that volume increase.

In the area of developmental services, last spring there was a \$35-million infusion into that area. There's a lot of need in terms of families trying to keep children, or even adult children, at home. Our most popular program, likely one of the few programs we as a ministry get cards and letters of thanks on, is the special services at home program, which provides money to individual families directly so they can get their own services. Some \$10 million of that \$35-million increase went into that program. Again it's an area where we're under pressure. There is a lot of demand.

What have I missed? We also fund violence against women shelters. There is pressure on beds. Through Ontario Works, we also fund municipalities for hostels. On the news this morning you likely heard the city of Toronto talking about more hostel space, and we provide funding for that.

I've likely missed a few areas, but that's an overview.

Mr Patten: It's my understanding that the pressure on children's mental health services is really quite severe, and exacerbated somewhat by cuts in other areas. I know the Minister of Education says there was more money in special needs. That may be true across the province but it certainly isn't true for the big boards that probably handle the bulk of the big urban areas.

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I've had calls from hospitals from other areas that are seeing what the school can no longer handle because they don't have the psychiatrists, the psychologists or the social workers any more that they used to. That pressure is now being moved out to the community. Do you concur with that? By the way, what kind of new funding are you talking about for the children's mental health services?

Mr Costante: We have about \$20 million in new funding. To answer your first question, I don't think there's a good handle on what the need is. We don't have a province-wide waiting list. Often families will go from agency to agency and therefore it's hard to get a good fix on the size of the demand.

Mr Patten: Do you get information for your purposes from other ministries?

Mr Costante: We are in touch with the Ministry of Education on what they're doing and their programs. That's kind of a general keeping in touch in terms of making sure our programs work together well.

Mr Patten: Each board will tell you their waiting lists; they'll tell you the nature of the assessments, the need deficiencies etc. My question would be, is that made available to you on an ongoing basis or is that integrated into your information system?

Mr Costante: We certainly don't have it as part of our information system. I'm not aware that we regularly get that information. We may have got it from time to time.

Mr Patten: One last question before my colleague asks his: Under your program cost comparisons with the child and family intervention programs, you talked about a research study that was done and completed in 1998, and then an advisory group of stakeholders reviewed the findings and recommendations of the research study and issued its final report in December 1998. Can you share with us your findings on that, please?

Mr Costante: Is this for the new instruments that we're bringing in in children's mental health?

Mr Patten: This is under "Program Cost Comparisons" under the section "Current Status," "Agency Funding and Budget Requests," page 2. The auditor's recommendation number 2, and then the ministry's response was that there was this research study done and an advisory group reviewed it and there was a final report in December 1998, but it didn't elaborate.

The Chair: It's page 260 of the auditor's report; you're referring to page 2 of the research.

Mr Costante: I'm sorry, we're having a little problem finding it.

Mr Patten: Page 260, under "Current Status," just above "Annual Program Expenditure Reconciliations," under "Program Cost Comparisons."

Mrs Munro: Could you repeat your question.

Mr Patten: Yes. My question was that it identified that the research study was done, that there was an advisory group that reviewed the findings, and recommendations of the research study were issued and its final report was in December 1998, but I don't have

the content of it. I'm just asking what were the major findings of that.

Mr Costante: We're looking for that. Perhaps we could come back and answer that, if that's OK.

Mr Patten: Sure, OK.

The Chair: Mr Cleary, you've got about a minute and a half.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): Deputy, you mentioned foster care and getting more parents involved. How are you going to do that? I know our community has been working on that for many years through a number of agencies. How do you plan on getting more parents involved?

Mr Costante: We've been working jointly with children's aid societies to develop a strategy. We're encouraging the children's aid societies to come together in groupings, as opposed to each one being out there trying to encourage parents to come forward. A lot of them are doing much more in the way of advertising in the area, trying to have parents come forward, trying to get information out through the media that foster parents are needed. As a good and valuable thing, they often bring the parents together to provide them with briefings as to what it involves and how to get involved and to try to do an assessment of individuals and families that would make good foster parents.

I don't know, Cynthia, if you want to add something on foster parent recruitment strategy.

Ms Cynthia Lees: I concur with what the deputy has said. I think partly what we're trying to do is to encourage, certainly, our societies to develop some creative ways around recruiting and promoting foster care within their own communities. We have several best practice models that we are now looking at from different agencies across the province which have been very successful in recruiting and retaining foster parents.

I think also part of our funding framework addresses incentive and increases payment to foster parents. We think that will also assist us in the recruitment of foster parents.

The Chair: Thank you. We'll get back to you later, Mr Cleary. Over the 10 minutes.

Ms Shelley Martel (Nickel Belt): Thank you, deputy and staff for coming today.

In your comments with respect to the intervention program, you spoke of the work you were doing to try and respond to the auditor's recommendations and you focused particularly on trying to develop instruments to deal with client and services outcomes. You referred both to the child intake instrument and the assessment instrument. Could you give the committee some fuller, clearer ideas of what those two instruments will do in order for you to be able measure outcomes?

Mr Costante: I would like to ask Duff Sprague, one of our staff who has really been involved in this and is very knowledgeable, to perhaps come forward and talk about that more.

Mr Duff Sprague: I welcome the opportunity to speak to these two instruments, and it actually answers

the question that was asked earlier. These two instruments stem from about a year and a half to two years' worth of work that involved two projects that eventually came together. Both of them involved the Ministry of Health, WPPIS, and they also involved stakeholders. Those stakeholders were eight provincial associations. The one project looked at standardized instruments that were used in other jurisdictions and in Ontario. It was an independent academic researcher making recommendations to this committee as to which would be most suitable for implementation across the children's mental health sector.

I think the research project that was being referred to earlier, and we were unable to answer, has to do with the eight provincial associations, the Ministry of Health and us looking at our information collection systems to see what is the information between the two ministries we collect and whether it is sufficient to promote good funding and policy practices. Those concluded in February and March, respectively, and out of that came our working towards the selection of two standardized instruments for implementation across the sector.

I can't emphasize enough how unprecedented this is and how much information we'll be able to have that is unavailable to other provinces and how it will position us to improve children's mental health services for service providers and for certainly the children and families that use them.

The first instrument is called the standardized client information system. It was developed several years ago by the Hamilton Health Sciences Centre, Children's Mental Health Ontario and the Centre for the Study of Children at Risk. It was a very large instrument that involved three questionnaires that were filled out. These were clinically based and reflected back to the Ontario mental health norms established by the Ontario Child Health Study in 1989.

The instrument involved three questionnaires, one filled out by parents, one by the teacher and one by the youth/adolescent themselves. That instrument has evolved over the years it has been used and it is now in a very exciting software format. It's called the modified modular branching standardized client information system. This is what we are putting in as a standardized intake instrument across the sector. It involves an intake worker on software, taking what the primary problem is that the family calls about, entering that information, and they go along, the software cues them to areas that research has shown might also be worth pursuing with regard to this child and family.

It also will have within it fields of data that we will be able to collect on a provincial level, so for the first time we'll have some sense of the severity of disorder of children and families seeking services.

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That sort of feeds into the next piece, which is the assessment instrument. I'll make the distinction. One is an information intake instrument. It has some clinical values, indicators which let us know what service might

be best for this family, certainly, what type of disorder, and the level of severity. The nice thing about this is that intake stands, so when this child and family has called agency A, even if they're not the most appropriate service provider, this intake information can transfer with them to agency B—they don't have to start the process from square one—anywhere in the province, regardless of where they move.

The second instrument is a clinically valid assessment instrument that was developed in Michigan and is used throughout the United States. What it does is, it measures a child's functioning on five scales and the caregiver's functioning on two scales. Through periodic reassessments, outcomes through the use of that instrument can be measured. There are many states in the US where children's mental health funding is totally tied to the use of this instrument. It was brought here by the Hospital for Sick Children. It's being used with a great deal of enthusiasm and success by about 10 of our MCSS-funded agencies.

We're poised now to have these implemented across our children's mental health sector. The fields of data will give us a measure of outcomes and which service interventions are providing the best outcomes for which disorder. It will just be a wealth of information that we can build our future policy and funding practices from.

Ms Martel: I appreciate the information. I apologize. It's not clear to me how that is dealing with the auditor's primary concerns, which I took to be that there is no way to measure need or no way to determine if the appropriate levels of funding are going to agencies. I'm not diminishing the value of the information you're going to receive, but it's also not clear how those two instruments deal with much of what he talked about, which is a fiscal concern and how money was flowing. Was it appropriate? Was it coming back if it was not needed?

Mr Sprague: These two instruments address the auditor's concern about the program accountability and the service accountability and outcomes and are they being effective? The way it relates to cost is that we'll know who's coming into every service door, what level of severity, we know the funding at a cost per child for each of those agencies, we know the service types that will be applied to remedy the child's situation and we'll know the outcome in the future as to whether it has been effective or not. In that way, we can look at cost and effectiveness of service for specific types and levels of disorder, so we'll know what the money is doing and who it's doing it for.

Ms Martel: OK.

The Chair: Anything else, Ms Martel?

Ms Martel: I do. Do I still have time?

The Chair: Yes, you have two minutes.

Ms Martel: Can I ask the auditor something? I'm assuming you caught most of this. Does that respond to the concerns that you've outlined? Because you were certainly critical in your review this year of limited response, as you put it, with respect to what had gone on

from 1997 to now with respect to your recommendations?

Mr Erik Peters: Yes, I think this goes a long way.

Ms Martel: Your concern would only have been then that most of this, as you said earlier, was not out the door, that it's in a developmental stage or the pilots will start in the year 2000 in 20 sites? Is that correct?

Mr Costante: Yes.

Ms Martel: Can I ask about the broader transfer payment agencies? You referred to your government and accountability framework. I'm wondering if you could explain to me what the difference would be for an agency now that delivers children's services or family intervention services and what you foresee the difference would be in terms of their financial reporting, performance reporting etc once you have that framework fully implemented. I know you said it would take a couple of years, but can you give the committee an idea of what would be required now, generally, by a transfer payment agency and what would be the changes required under the framework?

Mr Costante: Let me start with the framework and then I'll move back. I think what the framework would do is clearly establish what their roles are, clearly establish performance measures, clearly establish how we are going to monitor and follow up on what they did, clearly establish the accountability mechanisms through a service contract that's put in place in a timely manner and clearly establish that we will monitor and follow up and take corrective action. I think those are the basics of it.

What we have now is, we have elements of those in place and we have gaps in some of these elements. I don't think we're really clear in some cases about expectations. We're in the process, then, of getting performance measures in place for each program. Some of those didn't exist in the past. We've been developing those in the last couple of years. Through the business planning process, we've been putting performance measures in place, so I think there will be further development of that.

In many of our areas, particularly as we've gone through reform, we have tried to clarify roles and responsibilities. We've done that in child welfare. We recently sent out a manual to municipalities on child care which spells out roles and responsibilities. We've done that with our Ontario Works and our Ontario disability support program.

In terms of monitoring and follow-up, I think we want to clearly establish that it's going to be done, set some standards as to frequency and make sure that we document our follow-up. Often criticism comes that perhaps we monitor but we don't write down what we've found, and then we don't write down what action the agency has taken. That's been some of the auditor's criticism.

We need to clearly establish where we need licensing and where we don't need licensing.

Really, it's putting in place a more systematic and comprehensive framework. You don't have to do the same thing or be as intensive in every sector, but the

common elements need to be there and they all need to be there. The transfer payment agencies need to know what their responsibilities are and our workers need to know what they're to do and when.

I'll give you a current example of one of the things we're doing. Previously, we used to wait until the budget was done before we would send out our budget packages to transfer payment agencies, which meant they were doing their budgets in the spring and they would then get negotiated in the summer and into the fall. That meant, for many of them, they were halfway through their fiscal year. Some of them had a calendar year. They were almost fully through their fiscal year before they had their approved budget. This year we intend to send out our budget packages in January so that we can get the budgets largely done and in place by the end June. That's our intention.

We are looking at this more systematically and trying to have common elements in place in all the sectors, not just hit and miss. I hope that explains it.

The Chair: Thank you very much. That finishes that time. We'll now go back to the government side. I've got about 10 minutes left for the government side and eight minutes for each one of the opposition sides in order to balance the time and to allow the ministry to respond to the questions and then a little overtime.

Mr John Hastings (Etobicoke North): I'd like to deal with the issue of accountability within the terms of coordination for mental health services, not just by the Ministry of Community and Social Services but with education and training and health. I think you're making some good progress with respect to the tools for helping these kids. What I find is a concerning situation is what's happening at the front-line with service providers from either the agencies, the municipalities, these three ministries. What I'd like to know, sir, is to what extent we can get better coordination for providing service to families who have kids with problems, whether they start in the schools or in the homes.

What I find right now, having been directly involved with a few of these situations, is that the parents who are looking after these young folks—some of them are not over school age—can't get the services or can't get the coordination in place to even get people meeting. I'd like to see whether you could work with your fellow deputies in the other ministries and some of the players down at the municipal level, where this is going, so for the parents who are trying to get problems solved—some respite care, whatever it happens to be—we can have the barriers removed, if there are any, of a specific instructional or procedural nature. I found that in MET particularly. Can you get the players together and get a case situation moving? Is there some way you can look into that? It's not a matter of money so much as being somewhat creative in the coordination of providing these services and getting the front-line players, whatever the issue is. Sometimes there are many issues involving these disadvantaged kids or younger adults.

1140

Mr Costante: I definitely think there's a lot more that can be done. We have taken some steps. Let me tell you what we have done. In terms of our front-line offices, we and the Ministry of Health have recently made our boundaries co-synchronous. Over the next few years, as opportunities present themselves for leases, we're going to be moving our regional offices of the Ministry of Health and the Ministry of Community and Social Services together so our workers can work—the person is not at a different building or whatever. There are no excuses; we can work together and look at some greater coordination on the ground.

The second thing we've done with the Ministry of Health and the Ministry of Education is set up a joint project called the office for integrated services for children, with an ADM who reports to the three deputies. The deputies meet on a regular occasion, I believe it's monthly, to look at issues of coordination. We've had some successes through that office in terms of coordinating initiatives. The Healthy Babies, Healthy Children program is one where the ministries worked quite well together to implement that and get it out. We weren't tripping over one another or leaving people with gaps.

I think that mechanism can be used much more broadly. We need more of those mechanisms, particularly in the area of developmental services. We are coming from a situation where—sad to say, but it happened—even within our own programs within our own ministry there was not a lot of coordination. The Making Services Work for People initiative was meant to bring that coordination even between things like child welfare and children's mental health, which are both funded through the same ministry. We've been making those efforts and trying to bring the community together. Often, where this coordination works the best and most effectively is not at the ministry level; it is actually out there with all the community agencies around the table dealing with the issues of a particular child in a particular family.

I think you're right; we have to show leadership in that. If they see all of us working at cross-purposes, the community doesn't come together well either. I agree, there's more that can be done. I don't know if I'm answering your question.

Mr Hastings: Can you supply us with the assistant deputy who is the coordinating arch for that effort, afterwards?

Mr Costante: The name?

Mr Hastings: Yes.

Mr Costante: The individual's name is Jane Bartram. She's an acting assistant deputy minister.

Mr Hastings: In your ministry?

Mr Costante: She has a joint reporting.

Mr Bart Maves (Niagara Falls): Just two things, quickly. In Making Services Work for People I concur with Mr Hastings. I think what we need to do ultimately is have a single point of access for someone from zero to 21 who has a need in this area. They have a doctor refer

the parent to somebody, and then when they get to school the school refers them to somebody, and they too often miss the appropriate service. I think we really need to get to a single point of access. Most people could then be directed to the appropriate service.

When you were talking to Mr Patten about funding pressures, you talked about child welfare services. The budget for child welfare services has gone up dramatically, though, hasn't it, in the last three years? Is it not up \$191 million and now it's over \$500 million or something to that extent?

Mr Costante: I don't have the numbers with me but it has gone up. There has been a substantial investment in child welfare. The budget commitment from two years ago was a \$170-million increase. And you're right, it is over \$500 million this year—about \$545 million this year.

Mr Maves: OK. Thank you.

Ms Mushinski: Could you just tell me what the ministry is doing to ensure that workfare is fully implemented by the municipalities?

Mr Costante: The Ministry is doing several things. The minister announced several weeks ago a new package of initiatives to encourage the creation of more community placements. I believe it was on November 22 that our minister, John Baird, announced a package of initiatives on Ontario Works. Part of the package was an incentive plan that would bonus municipalities for achieving their Ontario Works targets that would provide I believe a \$1,000 bonus for every placement exceeding the target.

Second, there was a \$10-million fund available for innovative proposals that would create more community placements.

Third, within the ministry we are setting up a community placement secretariat to be out there encouraging and working with municipalities to create more placements.

We're also looking at some additional marketing that would go particularly to agencies to create these placements.

The other thing we're doing is looking at additional placements within the Ontario public service and within my own ministry, to lead by example and have that done.

As well, our funding formula is set up to pay municipalities for achievement so they get paid on a per unit cost type of approach, and we have staff in all of our regional offices whose job is to monitor municipalities. We are also trying to improve our data collection in this area and get more information in. That's kind of the general package of things that are going on.

The Chair: OK. Is that it? One more?

Mrs Munro: Yes. At the very end of the auditor's report, which deals with the issue of professional services, I just wanted to know if you'd care to comment. The question was raised about the ministry establishing guidelines, and I just wondered if this has been done.

Mr Costante: The ministry will be establishing guidelines early in the new year and it will be along the lines

of what the Ministry of Health and Long Term Care uses. We'll likely be adopting that guideline.

Mr Cleary: Getting back to the foster care, you mentioned earlier that you had new ideas of how to get more parents involved. We got cut off at the last round. I'd just like to ask the question again.

Mr Costante: I'm sorry, I'm not sure that we have more. The lead for the work is primarily with the children's aid societies themselves. We are trying to work with them, provide them money.

One thing I didn't mention which I should have mentioned is, part of the new funding framework for child welfare also increases the per diem paid to foster parents, which we hope will encourage more foster parents to come in. We think that will be a big selling point as well. I think it had been about the same rate for many years prior to that.

1150

Mr Cleary: OK. Another question I have is, what age is the cut-off? Is it 16 or 18 for young people in foster homes?

Mr Costante: The age is 16.

Mr Cleary: Did you ever consider increasing that age? In my community we've had some bad incidents happen lately, especially with teenage girls who had left their foster parents.

Mr Costante: I know it's not under current consideration, and I'm sorry but I can't give you very much in terms of whether it's been under consideration. Some of the elements you would need to look at: It would require a legislative change, I believe. It's potentially quite costly. Also, I think you'd have to look quite carefully at whether children aged 17 and 18 in a foster parent situation can work in terms of the willingness of somebody at that age to want that type of arrangement. They tend to have a mind of their own.

Mr Cleary: Another question I have is about the employment support program. I would like more information on that.

Mr Costante: Is this the one in the Ontario disability support program?

Mr Cleary: Yes.

Mr Costante: The budget for that program is about \$35 million. The program is actually run by coordinators within each of our regional offices. Individuals who are interested in seeking employment, if they need some sort of technical aid, can work through the program to get those aids to help them get the work. If they need a job coach or some particular training around that—I'm sorry, I don't have the guidelines with me—there's a whole series of eligible expenditures. We've tried to keep the program and the assistance quite flexible, because needs can be quite different depending on each individual. If you would like, I can arrange that a package explaining the program in more detail than I'm able to do here today is available to you, Mr Cleary.

Mr Cleary: I'd appreciate that. Is this something new that's coming out?

Mr Costante: This would have started in June 1998, so it's about a year old.

Mr Cleary: You mentioned violence against women, and I guess we have those facilities for women in every community. Is that additional funding or is that just—

Mr Costante: That's core funding within our ministry. I believe we fund approximately 90 women's shelters across the province, and I believe our budget is about \$70 million. I should check that last number.

Mr Cleary: The other thing I would like to ask is, is the ministry involved in the community living group homes, or is that mostly the Solicitor General?

Mr Costante: The community living group homes are funded through this ministry. They're generally done by developmental services agencies. Many of them are associations for community living—that's their title. They are for adults and children with developmental—There are also other group homes. Correctional Services and our own ministry have open custody facilities for young offenders. We have group homes or children's homes in the area of mental health. So there can be a wide variety of residential settings.

Mr Cleary: In my community there's a great shortfall of funding. They're always out in the community trying to raise funds for different types of group homes. Is there any additional funding for them or any changes that are going to be made?

Mr Costante: Last year, in April I believe, the government announced \$35 million, which I talked about briefly. Ten million of that went to the special services at home program. The other \$25 million went into services in the community, which would include group homes. One area we were trying to target particularly was aging parents who may be in their 70s and 80s with a son or daughter at home. They can no longer look after their son or daughter, and they need some sort of residential placement. So the \$25 million was in that sector, and some of it would have gone into group homes.

The Chair: We'll have to leave it at that. You didn't finish on the per diem for foster parents. How much is that raised?

Mr Costante: I don't have that at my fingertips. We'll provide that to the clerk as well, if that's OK.

The Chair: OK.

Ms Martel: I want to return to your governance and accountability framework for this reason: Can you give us some idea of how much of the change will be the responsibility of the ministry and how much of the change involved would be the responsibility of the transfer payment agencies?

I ask the question because if you look at your transfer payment agencies, you would know better than I the variation among them. Some are quite large, quite capable boards with long-standing histories, aware of auditing practices etc. You would have a number of others brought together to respond to a need, have a volunteer board, probably very little training and are just there to do some good work. My concern has to do with what burden will be placed particularly on the smaller ones to

respond. There are some reasons that they have to respond, but what is going to be their capability to respond?

Mr Costante: I would answer that in a couple of ways. One, I think a large part of this burden will actually fall on the ministry. What we want to do, and one of the areas that we as a ministry historically have not been good at, is have technology in our agencies so they can do this effectively. We've traditionally done reporting on a quarterly basis, all manually, and the follow-up has been somewhat spotty. We think we can provide them with much more automated tools, and we have in areas like child care and child welfare. We now have computers in all the agencies as well as municipalities—through Ontario Works something like 8,000 computers have gone out.

I guess the added burden would be that we will expect the data to be in on time. We'll expect that the reports we have are completed, and there will be an increased onus on us to follow up when it's not there. But a lot of those expectations are there now. In terms of volunteer boards, I think many of them will actually welcome our providing more guidance as to their roles and responsibilities. Many of them are already out seeking courses on their own. Places like the YMCA already offer courses on board governance, and we think we can supplement that and make it a much more fulsome package. I guess the long and short is that we don't think it's going to be a large additional burden.

Ms Martel: You talked about the training you are providing for child welfare. Can you give me an idea of what that is and whether that type of training and costs, which I assume are being covered by Comsoc, could be applied to any number of other agencies that will have to meet additional responsibilities under the framework?

Mr Costante: I'm going to ask Cynthia to talk about the child welfare training.

Ms Lees: We have just spent the last year developing a training manual for the boards. The training manual is now in the field with the boards. We're asking the boards to give us their feedback by January 14. So far the feedback we've received is extremely positive. The manual is very inclusive. It clearly describes the roles of the boards, the ministry and the executive director, and talks about governance, accountability and reporting. Once we have received the information from the boards, our hope is that the manual will become part of the training package and the ministry will be providing the training with the boards. It is also our hope that the manual is comprehensive and generic enough that eventually it can be applied to our other boards. That's where we are with the manual.

Ms Martel: May I ask a question about the computers? You referenced computers that were going into a large number of agencies. Was that a Comsoc cost?

Mr Costante: Yes, it was. Often an agency would be in a situation of having to intake a child who had previously been dealt with by another children's aid society and wouldn't have that information. The agency would often have to phone, and if it was after hours they couldn't get anybody. This fast-track system was meant to provide information on whether a family or child had been served previously and the nature of that service. I think it provides invaluable background information to somebody, perhaps on a weekend or at night, which is often when these cases come into care, information they need to do a good assessment and help the family and the child.

Ms Martel: Would it be your assumption that as you develop the framework and involve more agencies, the ministry will continue to pick up the cost of software or the technologies that some of these services are going to need to comply?

Mr Costante: We don't pick up the cost of their paper or that sort of stuff, but in this case I think we picked up the full cost of the hardware, software, installation and training. So we did a pretty full service. Our government policy on hardware now is to rent, and I believe most of these computers are on a three-year lease.

The Chair: Thank you very much for coming this morning and dealing with this matter.

Mr Costante: Thank you. We'll get the information that we promised to the clerk.

1998 ANNUAL REPORT

The Chair: The bell is ringing for a vote in the House right now. There is still the outstanding item with respect to the 1998 annual report. Did you want to leave that for the next meeting?

Ms Mushinski: Sure.

Ms Martel: No. It's one line. Can't we do it now?

The Chair: Yes, we can.

Ms Mushinski: As long as you've got all-party agreement.

Mr Maves: We have no problem with it.

The Chair: Can we have a motion, then, to—

Ms Martel: I move that the 1998 annual report of the standing committee on public accounts be adopted, as amended, that the report be translated and printed, and that the Chair be instructed to present the report to the House.

The Chair: Seconded by Mr Cleary. All in favour? Carried. Now we're adjourned until next week.

The committee adjourned at 1203.

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Mr Ray McLellan, research officer, Legislative Research Service



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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

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Rapport du vérificateur provincial
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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 9 December 1999

Jeudi 9 décembre 1999

*The committee met at 1040 in committee room 1.*REPORT OF THE PROVINCIAL AUDITOR
ON THE ANDERSEN AGREEMENT

The Chair (Mr John Gerretsen): Good morning. We have with us today the staff of the Ministry of Community and Social Services to deal specifically with the auditor's follow-up report on the Andersen agreement. If you'd like to identify yourself as you speak, and it's easier for Hansard. We've had specific instructions to ask that, so that there won't be any confusion. I understand you have a short presentation, and then we will open it up to members of the committee.

Mr Kevin Costante: My name is Kevin Costante. I'm the Deputy Minister of Community and Social Services. I'll let the people at the table introduce themselves.

Ms Bonnie Ewart: Good morning. I'm Bonnie Ewart. I'm the assistant deputy minister for the business transformation project.

Ms Ann Szyptur: I'm Ann Szyptur, the project director.

Mr Ray Hession: My name is Ray Hession. I'm the third-party reviewer referenced in the Provincial Auditor's report.

The Chair: Thank you very much. Would you go ahead then, please.

Mr Costante: Thank you very much for inviting us here today. I'm pleased to be here to respond to the Provincial Auditor's special interim follow-up report on our agreement with Andersen Consulting.

Before I begin, I'd like to acknowledge the role the Provincial Auditor has had in terms of providing advice to us on the business transformation project. The Ministry of Community and Social Services was one of the first ministries to use this kind of approach in working with the private sector, and the auditor has made valuable recommendations to us to improve what we've been doing. Obviously we continue to learn from our experience, and we are taking action to address some of the auditor's concerns.

Before I get into directly talking about some of the issues, I'd like to set some of the context for our discussion today by reviewing what the ministry has been doing in the area of welfare reform and the events that led up to creation of the business transformation project and our agreement with Andersen Consulting.

As you know, the whole area of welfare and social assistance is one of the key businesses of the ministry. We provide income and employment support for hundreds of thousands of Ontarians in need, and since 1995 the ministry has been engaged in a major overhaul of the welfare system in the province. The catalyst for this reform was the government's promise to restore welfare to its original purpose, that being a transitional program that helps people get back to work. Some of the fundamental elements of that reform include designing a new welfare program of last resort geared to those most in need, a mandatory work-for-welfare program that provides people with opportunities to become self-sufficient, a separate program for people with disabilities to provide greater opportunities for them for independence that also includes an employment component and, lastly, a system that we hope is built on strong accountability, effectiveness and fairness to the taxpayers and the clients we serve through the system.

Last year, the government passed new legislation creating Ontario Works and the Ontario disability support program, which provide for the policy framework in this area. Integral to the whole welfare reform initiative was the absolute need to modernize the technology and business practices that we have in use. That need was recognized well into the early 1990s. I think our long-term success is really dependent on transformation of the delivery system, because I don't think the existing system adequately supports where we're going and what we need to do. It's outdated, ineffective and unwieldy.

I think the lack of a modern computer system and the business practices to go along with it has led to a lot of error, overpayment and fraud in the past, and we hope to resolve that through the implementation of our new processes and system.

I should also say that we think—

The Chair: If I might just interrupt you for a moment, how long is your presentation this morning?

Mr Costante: I understood I had about 20 minutes.

The Chair: I would like it to be as short as possible since we only have about an hour and 15 minutes at most, and there may be a lot of questions from members of the committee. So if you could perhaps just address the issues that have been raised in the Andersen report, I'd appreciate it.

Mr Costante: I'll try to shorten it then.

If I can say one more thing in terms of context, a major need was identified to change the way we deliver social assistance. We knew when we got into this that we needed a common, province-wide technology and database to reduce fraud and administrative errors. We knew we needed automated, electronic information sharing to confirm that people were truly eligible. We knew we needed to redesign the business processes and practices to make our intake more effective and to have fewer administrative tasks for our caseworkers so that they could spend more time with clients, helping them get jobs. We also knew that we needed a better adjudication process and all the procedures, manuals and training to support that. We believe the business transformation project is needed and that it will provide a more efficient, effective and employment-focused system for the taxpayers of Ontario.

I think we also knew—and I will start addressing some of the auditor's specific concerns—that we couldn't do this alone. We didn't have the expertise or the resources within the ministry to address the task ahead of us. We knew we needed to work with a private sector organization that had extensive experience providing technical and business advice around a major change such as this. We also wanted a partner who would share the risks and the investments and ultimately the rewards that would come from making the changes we knew we had to do.

That's why we entered into a common-purpose procurement arrangement with Andersen Consulting. They do share the risks. They are also a major investor, and there is a benefit to them if we're successful—and only if we're successful. This is a risk-based arrangement. They only recover their costs if savings are achieved. I'd also like to state that there is a maximum cap on remuneration to Andersen Consulting, and it's \$180 million. I won't go through the history—I think that's been covered previously—of the major steps that went into that.

I would also like to say that the ministry and Andersen jointly manage this project. However, the ministry is solely responsible for interpreting social assistance legislation, creating policies and regulations. That is not part of what Andersen is doing.

In terms of the financial arrangement, each partner receives benefits based on their costs. The ministry has expected that Andersen would receive a larger portion of the savings during the life of the project because they're incurring higher costs during the life of the project. However, once the project is complete, the ongoing savings accrue solely to the government and the taxpayers of the province.

I would also like to say that, yes, there were some initial delays in the project. However, the project is now on target and has momentum. We have been making major improvements and, as the auditor's report shows, we have \$66 million in savings to the end of July, based on the work this partnership has done.

One of the major pieces of work has been to create a new process for determining eligibility and checking

whether clients are eligible, as well as reporting client income from employment. Both of these are long-term improvements to the system that were done initially to generate some savings and some momentum, but they're also going to be part of the ultimate system that we hope to have in place in the year 2002.

1050

One of the key findings of the 1998 audit was that the ministry could not demonstrate an auditable business case that assured the auditor there was value for money from this arrangement. The ministry agreed it was important to do that. We subsequently initiated a third-party review which I think did demonstrate that. Mr Hession, who conducted the third-party review, was asked to provide advice to ensure that this project ensures and measures value, that the auditor's findings were being looked at, and to provide advice on additional actions to be taken and to assess the ministry's strategy to manage this arrangement with Andersen.

Mr Hession's report was submitted last February. I think it shows that this project can demonstrate value for money. The business case analysis indicated that the project has the potential to produce a return on investment of 222% through this modernization and that the modernization itself was long overdue given the magnitude of those savings. He also concluded that the ministry and Andersen have an innovative, performance-based, public-private business arrangement that can produce good quality results. Lastly, he indicated that when he undertook his review, the ministry and Andersen Consulting were both focused on getting this project moving forward and producing the success that is potentially there.

The other thing I would like to say about the auditor's 1998 report is that the ministry did take substantial action in respect to some of his recommendations. Specifically we strengthened project governance in the management, which was one of the issues. We brought in tighter financial management and controls. We made improvements as to how we maintain and document issues. There are tighter controls on attribution of costs and benefits and on the management of procurement. As well, we've made significant organizational changes and have an ADM, who's with me today, who is directly responsible for the BTP project.

We've also made sure that we're doing due diligence on a constant basis and that we have assigned internal audit staff from the ministry to work closely with BTP and be on site and check the various aspects of that. I understand the auditor will be doing a follow-up on it early in the new year.

From our independent review we also identified risks, as the auditor noted, but we also have taken action to manage those risks and make sure we have appropriate provincial and municipal involvement, in both the design and the management of this project, and that we get front-line input from provincial and municipal staff in what is needed to make this system run more effectively.

I'm having to skip through because my remarks were—the next item I'd like to talk about is the timetable. The auditor remarked about the delay in the timetable. The contract provided for a one-year extension. We do need to use that. There were some delays initially. We set in place a tight, rigorous schedule early in the year that we've been refining as we further developed the project. We've been adhering to that. The project has good momentum to move forward.

I'd also like to add that our partner, Andersen Consulting, is very motivated to get this project done. They don't get paid unless they produce results. We think we are producing results.

Can I just say a few more words? I've got about 10 more minutes' worth, but I'll stop. Another major issue that the auditor raised was the issue of early opportunities. I think any project of this nature needs to show early successes. That's certainly what we did here. The things we've been working on, as I said, have ultimate value and will be part of the ultimate system that goes out. We think they lay a solid foundation for the future.

Maybe I can leave it at that point. I think I've covered some of the major pieces, if there are questions.

The Chair: We have about 20 minutes for each caucus, and we'll start with the official opposition.

Mr Richard Patten (Ottawa Centre): Deputy, I think everyone agrees that, as you've said, the context was important, that there was a need to develop a system that was far more accountable. But, you know, the education ministry has a situation where they can call jeopardy. If their "clients"—I don't like to use that term; if the children's education is jeopardized by virtue of a strike or something, they can call jeopardy.

It seems to me that this is quite embarrassing. In the financial community this is a major embarrassment. To enter into a contract like that, fine; let's not ascribe or impugn motives. But they have you under control—I'm talking about Andersen—in terms of their costs, in terms of raising their costs, in terms of the schedule etc. You say you're not supposed to pay out anything until the benefits are there. My understanding is, as of July you've paid out \$55 million and, according to the auditor, the value for work at that particular point was about \$14 million. How can you say you're not paying out until the benefits accrue to you?

Mr Costante: First of all, I disagree with the last statement. I think we have had real benefits, and we've demonstrated real benefits through reviews of, I believe it's \$66 million. Andersen's share of that was \$55 million and the rest accrued to the province.

Mr Patten: This was after July.

Mr Costante: This is from the beginning of the project until the July 31 numbers that we provided to the auditor. We did show real benefits, and I think we can demonstrate that. When the auditor comes back in to do a field audit, I think he will find that and he'll see our proof, that we can demonstrate real benefits from making changes on how we do eligibility determination, how we do income reporting by clients. I think it's there and

we've gained them. They're not bogus. We can show them on the bottom line.

Mr Patten: If you wanted to change the agreement you have with Andersen, what would you do?

Mr Costante: Given the rush to get it over, the one thing I didn't say in my statement is that we have started discussions with Andersen around making some changes. We are looking at their costs going down. Discussions are in progress, so I'm not really wanting to get into, if you will, giving away my cards in a public forum while those discussions are going on.

Mr Patten: The public is paying for it though.

Mr Costante: And we're going to do our absolute best to protect the public interest.

Mr Patten: We discussed this last year. In the context, the sole-sourcing arrangement was done because there was no one else ready to enter into a relationship with you?

Mr Costante: That's not correct. It was not sole-source.

Mr Patten: Oh, it wasn't?

Mr Costante: No, there was a competitive process that was conducted in the fall. I believe the RFP went out in the fall of 1995. Andersen was the successful proponent, negotiations started with them for a contract in May 1996, and that contract was signed in 1997. I believe there were eight other firms or consortiums who bid on this.

Mr Patten: The extension to the year 2002 now for the technology that's developed, what's your comment on that?

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Mr Costante: First of all, I think both the Provincial Auditor and our third-party reviewer did acknowledge that we had start-up problems in getting going, getting enough resources onto the project and proceeding at a rapid enough rate. I think the ministry was concentrating on its priority, which was to get legislation done and policy changes done, and we did lose some time.

The extension is needed to complete it. The contract itself contemplated that in a project this size, there could be some delays, and allowed for a one-year extension and that's what we're looking at.

Mr Patten: Are you telling me you're satisfied that everything is just fine, that you're in control of the whole process?

Mr Costante: I'm saying we've taken a lot of steps in the last year to improve what we're doing. Nothing is ever perfect. That's why we have the internal auditors on site now. The auditor will come back; I'm sure there will be more recommendations on further improvements, and we welcome them. We want to make this project a success and we think our partner wants to make this project a success. We have taken a lot of steps and we'll take a lot more. In my remarks I think I outlined that entire list of things that we've been doing to make sure that we adhere to a rigid schedule, get staff involved, make sure that we have a good product. I think we can do it.

Mr Patten: It seems to me that, given this particular case, the ministry could recommend to the minister or to the government, "Look, we've entered into an arrangement which is not truly in the public interest. We would like to renegotiate the terms of the agreement," even though you've signed an agreement. Fair enough. Given the size, given the publicity around this whole arrangement, I would think Andersen probably would accept a renegotiated arrangement. Would you entertain such an idea?

Mr Costante: We are in those discussions.

Mr Patten: In other words, you want to renegotiate the terms of the contract.

Mr Costante: We are looking at some changes, and I don't want to specify exactly the terms of what that will be. It's obviously going to require mutual agreement.

Mr Patten: What I'm trying to do is support you to be able to recommend what you believe is truly in the best interests of doing the job that you have to do and also for the general public.

Mr Costante: I appreciate that. I'm saying we have started that discussion.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): I would just like to mention something you said. You said you don't get paid unless you produce results. I would like you to explain that.

Mr Costante: I think we can demonstrate that the number of the projects that we've worked on with Andersen as part of this larger change that we're making have produced solid results.

For example, they have developed for us a new eligibility system where we have gone back and looked at clients on the social assistance system and reviewed their eligibility. They've designed new software, new processes, helped us train staff. Through that process, we have found a lot of areas where people were not eligible and they were removed from the system. We found areas where there was overpayment and were able to collect that back. We can demonstrate solid savings from those activities. I think the auditor's report shows that. I believe it was \$66 million in savings. Andersen obviously shared some of the benefit from that, as did the ministry.

Mr Cleary: The head office of Andersen Consulting, where is it located?

Mr Costante: I think you're going to have to ask them. It is an international consultancy. We are dealing with the Andersen Consulting partnership that's here in Canada. Their head office is in Ottawa, I believe.

Mr Cleary: The other thing I would like to ask you is, this \$575 an hour for the project director, do you think you're getting value for your money at \$575 an hour, with people on the streets having to work three jobs for a whole week to make less than that?

Mr Costante: I would say two things: First of all, for the expertise that we're looking for, it's very expensive in today's market. I think you will all appreciate that with the rapid pace of change in terms of technology, the demand out there is immense. We have, coupled with that, the issue around Y2K where everyone in the world

is trying to fix their systems. I think they bring international and national expertise to this, and we think we're getting value for our money.

Mr Cleary: Were you part of the initial agreement? Did you help negotiate it in 1995?

Mr Costante: I was not part of the negotiating team. I was the assistant deputy minister of social assistance at the time, and the project director reported to me.

Mr Cleary: I've heard lots about this problem with Andersen Consulting. I was hoping I would hear something that would put my mind at ease today, but up till now, unless someone else has something that will put my mind at ease, I haven't heard it. I'm disappointed. Anyway, I'll move on to someone else.

The Chair: It's at the 10-minute mark. What I propose to do is have two 10-minute sessions for each caucus, if that's all right. We'll now turn to the NDP.

Mr Peter Kormos (Niagara Centre): Look, this is a very complex contract. It is a complex, multi-page sort of thing, and I can't begin to understand it.

Mr Costante: I would agree.

Mr Kormos: But I understand that the whole idea was to motivate Andersen by ensuring that it only receives monies when it produces results.

Mr Costante: That's correct.

Mr Kormos: I don't have a good handle on the contract, but I also understand—well, the government expected to abide by the terms of the contract, didn't it?

Mr Costante: Yes.

Mr Kormos: And surely Andersen expected to abide by the terms of the contract.

Mr Costante: That's correct.

Mr Kormos: I understand that this contract was such that there was no requirement for the ministry to make any payments to Andersen until "the amounts in the benefits pool exceed the amounts in the cost pool," page 9, paragraph 3 in the auditor's report. Is the auditor right or is he wrong in that regard?

Mr Costante: It did not require it. It did provide for it.

Mr Kormos: I understand that. But please help me; I've got to understand this contract. If there was no requirement to pay—

Mr Costante: The—

Mr Kormos: Please. There was no requirement—

Mr Costante: I was going to try to give you some—

Mr Kormos: —no requirement to pay any money unless those conditions were met. Is that correct?

Mr Costante: That's correct. The reason it was done is because we wanted to make payments early to reduce the interest costs that would have been charged had we not. Having generated benefits, why would we not pay out those benefits, as opposed to having our partner—which is again allowed. Both parties can charge, into the cost pool, interest charges. We made a conscious decision to pay so that we could reduce those interest charges. I don't see that there's anything wrong with that.

Mr Kormos: The auditor, when commenting on interest, indicates that the cost of getting that money to

pay them out is more than the interest that would have been paid, if I understand that correctly.

Mr Costante: You'd have to check with them.

Mr Kormos: I'm telling you that's what I understand the auditor to say.

Mr Costante: I understand that's not the case.

Mr Kormos: Fair enough. As of July 1999, Andersen had been paid \$55 million as an incentive, not based on any requirement of the government but based on the mere wishes of the government. Is that correct?

Mr Costante: Basically, the intention was to reduce the interest costs, as I indicated earlier. We had produced benefits. We decided that we would pay out both sides. Both the government and Andersen benefited from the \$66 million in savings that we found.

Mr Kormos: I'm sure people are going to ask you about whether those savings flowed directly from Andersen or whether they flowed from any number of things that happened in terms of the number of people on social assistance, the social assistance rate.

Mr Costante: And the answer's no.

Mr Kormos: I've got to tell you, Deputy Minister, my clear impression here is that Andersen's robbing the public bank and you're driving the getaway car.

Mr Costante: If I can answer your last question in terms of—Andersen does not get paid out of any monies that accrue from natural caseload decline or from policy changes. We go through a very rigorous process of making sure that the benefits are attributable to the actions of the project.

Mr Kormos: If it's as rigorous as the rest of your relationship with Andersen, then it's very much in doubt.

Mr Costante: Well, we welcome the auditor to have a look at what we put in place.

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Ms Shelley Martel (Nickel Belt): If I might, I think the auditor already did, and the auditor made it clear in his report that "the benefits attributed to the project to date are from 'early opportunities initiatives,' which entailed changes to the existing social assistance systems ... and not the project's primary objective of developing new technology." In fact, he said to us this morning that most of the money that's been paid out to Andersen in terms of savings had absolutely nothing to do with the business transformation project. You might be using that as a cover, but that's not where the savings came from, and you're making payments to them that shouldn't be made.

Mr Costante: I absolutely disagree.

Ms Martel: So is the auditor wrong?

Mr Costante: I think we have a disagreement.

Ms Martel: All right, Deputy. Let me tell you what else the auditor said and you can comment on this.

Mr Costante: Can I finish my answer, please?

Ms Martel: OK. You think the auditor's wrong. Go ahead.

Mr Costante: Eligibility is a core requirement of any social assistance system. I think you would agree with that. Andersen has designed for us a new process for

determining that eligibility, and that is going to be built into the ultimate system, so why can't that count? I don't understand.

Ms Martel: Deputy, the government makes changes on it with respect to provisions of eligibility. Let me tell you what else the—

Mr Costante: Not with respect to the processes and the systems that support it.

Ms Martel: We've got a difference of opinion. He says you shouldn't have made a \$55-million payout. The public's being ripped off, hosed down. That's what's happening. Let me tell you what else he said.

Mr Costante: I disagree.

Ms Martel: You're trying to tell this committee that things are OK. I was here a year ago, and you know what? Nothing's changed since you folks were here last year. Two of the same people are here. The auditor said, "In light of the significant payments already made to Andersen Consulting at rates which the ministry cannot control, the delays of the completion of the deliverables, and our concerns about the working of the cost and benefit pools, we continue to question the achievement of value for money for the taxpayers from this agreement." Nothing has changed from when you were here a year ago.

Mr Costante: I think a lot has changed. I put on the record the things that we've changed to make sure this project gets on track. We have finished the design for this. We have a schedule that we've been adhering to. We've put in a lot of new controls since then. I think a lot has changed. I would also point out that this is an interim report of the auditor. He did not come back in and do another full field audit.

Ms Martel: I look forward to when he goes back in. I look forward to that.

Mr Costante: Fine, but I don't think you can charge that nothing has changed on absolutely no proof. I think we can show and demonstrate, and we haven't been given the opportunity to demonstrate, the changes we did make.

Ms Martel: Let's look at the delays, then. The auditor reported that phase 1 is delayed by two and a half years and phase 2 is now delayed by one and a quarter years. Is that true?

Mr Costante: I think what the auditor is doing—there have been delays. I acknowledge that. That's why we had to extend the thing. The phase 1 and phase 2 terminology was something that was talked about very early on in the project. Once we got the blueprint for the project in February 1998 and, more recently, the design, we've changed the entire structure of the project. It's apples and oranges. We do think we're going to need that additional year. I don't think those numbers of two and a half and one and a half bear any relevance any more.

Ms Martel: Would the auditor like to comment?

Mr Erik Peters: I would like to raise two comments.

The one on the interest: What we did was relate the borrowing rate of the government, which is close to 9% still, to the 5% that Andersen would be entitled to under

the agreement. The second point we raised is that in other agreements Andersen has actually been paid based on their actual cash flow rather than at the full charge rates they were entitled to. These were the two concerns we raised about the interest, and those concerns remain concerns of ours.

The second part is the sentence that has been quoted on page 9, which relates to the benefits attributed to the process being attributed to the early opportunity initiatives. Those were identified as three areas. The consolidated verification process is a verification process that the ministry had agreed with us for almost a decade required changes that needed to be done. In fact, the ministry had, in virtually every recommendation at the time we made the recommendations, agreed that something would have to be done. We raised the question whether this was attributable actually to Andersen or whether this was not attributable already to initiatives taken by the ministry as they went along.

The tax table—that's the relationship between Revenue Canada and the benefits—also initiatives by the ministry. Change reporting—also initiatives already taken by the ministry.

The problem we have with the benefits and that we will continue to have is that they were simply not benchmarked at the beginning. There was no appropriate allocation of how much of the benefit was actually attributable to initiatives already taken by the ministry and those initiatives that resulted from advice received from Andersen Consulting. Those were our concerns and that's why we made those statements.

Mr Costante: Can I respond?

The Chair: You have thirty seconds left.

Ms Martel: I want to ask about billing rates. Is it true that Anderson continues to bill at rates that were in place at the time of the last audit when the ministry was last here, which is between \$40 and \$575 an hour, for an average charge of \$257. Is that true? Are they still billing at those rates?

Mr Costante: I'm not sure that they're billing at the existing rates. Their billing rates change, I believe, every September. They may be somewhat different than that.

Ms Martel: Are they higher?

Mr Costante: They may be higher.

Ms Martel: Can you table those with the committee?

Mr Costante: I'm not sure if we have them here today, but we will get them for the committee.

Ms Martel: Deputy, if I can point out, last year when your ministry was here we were told that you were under negotiations to change those outrageous billing rates. It seems that they are still in effect a year later.

Mr Costante: I don't think you were told that they were under negotiation.

Ms Martel: We sure were, and the minister said it in Hansard in November, and I can quote you her comments too.

Mr Costante: I thought she said we were going to negotiate.

The Chair: Thank you. Now we'll turn it to the government side. Mr Maves.

Mr Bart Maves (Niagara Falls): What's coming out of this here, clearly, from Peter's line of questioning and the auditor's response, is a debate about benefits and whether or not benefits actually have accrued as a result of the relationship with Andersen. Now, I've heard you talk about a change of process. You've talked about them actually designing a software program, which has worked to attribute benefits.

My understanding is that Mr Hession and the Hickling Lewis Brod company he worked with had done some work on this benefit pool and justifying whether or not those benefits should have been in that pool. I wonder if the deputy and then perhaps Mr Hession might be able to explain again where we see these benefits coming and why we attribute them to the work that Andersen's been doing with the government.

Mr Costante: A couple of things, and then I'll pass it over to Ray. First of all, we do make sure, in determining which benefits accrue to the project, that a baseline is in effect set, that it's only the incremental benefits that are achieved by the project that actually go into the benefit pool. So I would disagree with something the auditor said. We don't let base benefits—if not, all eligibility costs we have would go into the pool. We do what's called metrics, where we try to go through and pick out exactly what is attributable to our efforts with Andersen, and only those go into the benefit pool.

As I've said, things like policy changes or decline in caseload do not get attributed here. We also tried to factor out the impact of the eligibility tools that we had in place previously.

The auditor is right. He did in past audits ask us to address some of these issues. We use the opportunity with Andersen to do that. He criticized us that we hadn't done it, so this was the opportunity. Why would we design a new eligibility system just to have to do it again, ultimately, for the final project? We've used Anderson to make that eligibility change so that it would get imbedded in the final system. That's exactly what we've done.

I'll leave it at that and let Mr Hession talk about his findings.

Mr Hession: May I, Mr Chairman? As part of my terms of reference from the former minister, I was asked to ensure for her that the methodology that was being used to determine benefit attribution was valid. We took what were the two most significant so-called early opportunity projects, one being the consolidated verification process, the other the change reporting, and applied—you'll have to forgive me, Mr Chairman; there's a bit of a technology involved here called multi-variant statistical analysis. What that does is take all the data from the universe of recipients of the benefits of these programs historically and then look forward, following an event. The event in this case was the introduction of these two changes, the so-called CVP and change reporting.

In the case of change reporting, we saw robust evidence of benefit arising from those changes, again based on the data that was provided to us.

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In the case of consolidated verification process, we determined that there was inadequate data at that stage; the change having recently been introduced, there being insufficient evidence from the data to say yea or nay to the benefits. Subsequently, I believe in September of this year, with more data available, that review on consolidated verification process was redone, and again a robust outcome saying that the benefits were indeed valid.

Mr Maves: Everyone here is concerned and we want to make sure that under the terms of agreement someone can't get paid unless benefits accrue. The auditor seems to think, in his second audit that he's come in and done, that those benefits haven't accrued and you haven't been able to show that those benefits have accrued as a result of Andersen's work. The ministry has said they've done a process and they can show that they are attributable to the Andersen contract. Mr Hession has brought in a firm, Hickling Lewis Brod, which says, yes, they can be attributable to this project. I don't understand why the auditor, when he has come in to do the second audit and work with both of you to try to verify whether these things should be in the benefit pool—I don't understand why there is such a discrepancy between the two.

Mr Costante: If I could clarify it, I don't think the auditor has come in and done a second audit. There have been some very limited discussions. We had one two-and-a-half-hour meeting with the auditor. There have been a number of phone conversations and exchanging of paper, but there was not a full field audit where his team actually came in and looked at what we are doing and tiptoed through all our documentation. You may want to have the auditor comment on that. I don't mean to put words in his mouth.

Mr Maves: So this most recent report, Auditor, is not based on an audit?

The Chair: I'll give him an opportunity to comment in a moment after you're finished.

Mr Maves: I was under the impression that there was something more broad done.

Mr Hession, you also said in your business case analysis done by Hickling Lewis Brod—I would also like to ask a question about them—that there were \$300 million in savings over the life of this contract, between 1997 and 2002, and then beyond that your models predicted annual savings of \$200 million. Or is this just the \$300 million? Can you explain that?

Mr Hession: In doing this work, in order to provide valid information to the legislators, by practice in this business we limit the benefits outcome to the period of the project itself. So it's seven years from the beginning of the project in early 1997 to its completion in 2002, and then there is a two-year period for benefit attribution thereafter. So it's seven years. The point that the member is raising is what happens after the seven years. Indeed,

the benefits continue to accrue at whatever is the then current pace. It's what we call the eighth and on-year benefit.

Insofar as the benefit within the seven years of the project itself—and you will note that I am using seven years, because at the time of our review it was reasonably clear to us that there was a very high probability that this project would have to be extended by one year and that's why we went to seven years—net of all costs, including those accumulated by the ministry and by Andersen, we determined that there was an expected outcome, which is a term I should define for members, of close to \$300 million of direct benefits to the Ontario taxpayer and there was some \$46 million of so-called social benefit to Ontario.

Insofar as that expected outcome is concerned, that takes account of all the uncertainty, and there's lots of uncertainty in projects of this duration, this complexity and this magnitude. Thousands of people are going to be affected in terms of the way they deliver programs, the way the constituents interact with those programs and so on. It's a very complex undertaking, so the uncertainties are significant. I noted the word "ominous" in the use of language by the auditor. I wouldn't use that word but I can understand why he might.

We took account, as best we could humanly do, of the uncertainties arising with schedule, with the future size of the universe of recipients, with any number of what I would call technical risks and so on, and tried very hard to balance our assessment, taking account of those uncertainties.

With all of that in our hands, we said, "It looks like \$300 million expected outcome." That's the average probability. If you ask me, "What's the outcome at, say, the 80% probability?" it's a lesser number because you're asking me to commit to a higher order of probability, and expected outcome and 80% aren't the same thing. But it's still, as we could best judge at that time, an extraordinarily robust business case.

As I reported—and concurred with the auditor, for sure, that his findings, as far as I could tell, were highly meritorious—one of the outcomes that was particularly so in my mind was that the agreement didn't specify what those outcomes would be. It was after the fact, in a sense, that we discovered they're very large. As the deputy has said, the ministry has organized itself to deliver those benefits.

I hope that helps the member on the point.

Mr Maves: It does.

The Chair: You have 30 seconds left.

Mr Maves: The auditor has said that you substantially agree with what his initial recommendations were, but it sounds to me that now you think there's a very solid business case for this, that the taxpayers are going to profit quite nicely out of this at the end of the day. Have the recommendations you made been followed through and do you still believe there's a positive business case, or do you think the government should get out of this contract?

Mr Hession: There's a number of questions there. I did agree with the auditor. I don't want to sound presumptuous in saying that, but I observed very much what he reported on. I say again, what he reported on most profoundly, in my opinion, was the absence in that contract of an end result for the monies being spent by the government and by Andersen. So my purposeful approach was, let's find out what those results will look like, so we did, and that's the \$300 million of net benefit.

The question you're then left with is, what's the risk? I want to repeat for the members present, there was an exhaustive risk analysis done to arrive at that \$300 million. The two most sensitive variables are delay, of which there had been some, so we had to project possible future delay; and, what's the size of the universe of program recipients? I don't have to tell you that the economic performance of Ontario is such that thankfully there are more people working and fewer people therefore on welfare. That's a good thing, if you're looking at it from that perspective. From the perspective of, what does that do to the benefits of this program, it brings them down a tad. It's still a robust business case. The big risk now is delay.

The Chair: OK, thank you very much. I let you go on a little bit longer there—

Mr Hession: My apologies, Mr Chairman.

The Chair: That's quite all right, sir. Now, the auditor had a comment to make.

Mr Peters: Yes, I have two, actually, to make. I would like to refer the members to the report given to them that was done by Mr Hession, by the firm Hickling Lewis Brod. That may put some of the appearance of a difference somewhat at rest.

We had recommended in our 1998 report the application of something called a value index, some sort of other way of determining the benefits and the cost to the pool. Mr Hession, in his report, agreed. He said: "The ministry, in comparing the value of its contribution to a BTP-like project with that of consultants when both parties are contributing to project costs in anticipation of proportionate benefits-sharing, should develop and apply a 'value index' for its personnel reflecting their relative value to the project. Should the current agreement be amended, it should reflect such a 'value index' with its concomitant effect on benefits-sharing."

That's what I'm referring to, because what we are referring to is the fact that we are charging full rates by Andersen, we are charging our rates into it, and there is no value index set on this one.

The second one, Mr Maves: I said in my in camera session, and I repeat, that this was an interim report and not a full-blown audit. The deputy is definitely right on that one.

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Mr Maves: Can you tell us the difference between what you do when you do an interim and what you do when you do full blown?

Mr Peters: You'll find in this report a number of tables which are ascribed to the ministry as the source.

We have not verified the figures. When we said there that Andersen was actually paid \$55 million, we haven't gone into the cash system and seen that cheque that you were written in that amount. We have accepted the ministry's statement that that was what was paid and we have not gone into any of the calculations that led to the determination of the \$66-million benefit. We have accepted the ministry's word for that.

The Chair: Thank you. You have about eight minutes for each caucus at this stage.

Mr Patten: In the 1998 report, the auditor laid out quite clearly—and it's in this particular document. Just running through some of these, Deputy, you have said you've addressed most of these and that the auditor has not been back, and if he were to go back, he'd find a much improved situation, which I guess is what your case is at the moment. Although I will ask you, if you had your druthers, would you want to renegotiate a new arrangement now with Andersen Consulting?

Mr Costante: As I said previously, we are in discussions with Andersen Consulting and part of the purpose of those discussions is to lower their cost.

Again, I don't want to get into great detail. I don't think it's proper to do that before we have finalized the detail. Obviously, I am driven to, first of all, have a successful project, a well-managed project and also protect the public and taxpayers' interests.

So, yes, we are in those discussions and we have to wait for the outcome because, as I said, we do have a contract, things that we may agree to are going to require mutual agreement and I don't have that mutual agreement yet.

Mr Patten: Deputy, you know as well as I do that, first of all, it's already out in the public. We know what some of the rates are. We know the conditions of an existing contract. You're at the public accounts committee today. You have directors who, presumably, would know in more detail than you, rightfully so, because you have to manage the whole ministry.

I'm asking you whether you now have control because in the original agreement you did not. You did not have control over the rates. You did not have control over the schedule. You did not have control over increases, it would appear, at the whim of Andersen to set new rates as they saw fit.

Can you demonstrate or tell me, or one of your directors, today that in fact you now do have control and you've renegotiated at least those principles?

Mr Costante: The contract that we signed back in 1997 is still in place. We have not renegotiated that contract. That contract has a number of controls. Andersen gets paid according to their rates and that's what they've been paid at. What we do have control of is schedule. This is a joint project. We've worked very hard to develop a detailed schedule and put processes in place to make sure that we adhere to that schedule. I'll give you some examples.

The schedule is brought to our management committee table on a monthly basis for full review. We go

through every component of the schedule to see if we're ahead or behind on individual components. We are, obviously, driven by schedule. I think one of the things that both the auditor and Mr Hession's report pointed out is that time lost is money. We want to adhere to that schedule. We think we've put a lot of controls in place.

I guess going back, it's a joint project and we do have a lot of control and we exercise that control.

Mr Patten: The auditor pointed out that in terms of the concept of shared savings Andersen's savings were totally disproportionate; "totally" is my term. The auditor said, "disproportionately high rates to the disadvantage of the ministry," because the charge-out rates used for staff were, on average, almost six times higher than the rates charged by the ministry for comparable staff work.

You are telling me that you're still accepting the original terms of the agreement. That was the original arrangement. Is that not being reviewed or do you not want to renegotiate that kind of arrangement?

Mr Costante: That is part of the ongoing discussion that we're having around Andersen's cost. What I'm confirming is that the 1997 contract is still in place until our current discussions are concluded, and I can't report here today that those discussions have concluded.

Mr Patten: When do you expect them to be concluded?

Mr Costante: I think that is a mug's game, to be committing to a date. It requires mutual agreement. I also need support, obviously, for whatever changes we're going to make.

Mr Patten: I can appreciate your position. It must be very uncomfortable. You can appreciate ours. A year ago we were assured that this was going to be renegotiated, and now you're here today saying you are renegotiating it, with no sense of whether this is in the year 2000 or what, with a continual extension of the contract with essentially the same conditions that were there before, that we all agree are to the disadvantage of the ministry, to the disadvantage of the public.

Mr Costante: Sir, if you are trying to get me to commit to a date, I won't do that.

Mr Patten: No, I'm not saying a date.

Mr Costante: We're trying to move as quickly as possible. We think we've done our analysis. We think we know—I not only think, I know what we want, and we've started that discussion.

Mr Patten: I'm not asking for the details. I'm asking the principles on which you are negotiating, which surely you can share.

The auditor reported that Andersen has exceeded the rates quoted in their proposal by an average of 63%.

Mr Costante: I don't want to get into, at the table here, unveiling either my negotiating strategy or that. I don't think that's possible, that anyone would negotiate that in a public forum. I think that would be irresponsible.

Mr Patten: Well, I'm disappointed, frankly.

I would say to you, given the context and the situation, that you should call jeopardy. I think you should say:

"We have entered into an arrangement, made some mistakes. Here is how we can rectify it. We want to start over with a new deal, because this one binds us to an unfavourable position in being able to manage something in the interest of the general public." Is that a possibility?

Mr Costante: We are trying to make changes that are favourable, as I said. We are trying to negotiate, discuss a lowering of Andersen's costs. I think that is beneficial to the province, to the taxpayers, and that's what I would hope you would hold me accountable for. Again, I don't want to get into the details of that. It is a commercial deal. I don't think any commercial deal in the world is discussed in an open forum.

Mr Patten: Based on what I've heard, it is my opinion to this point that you are negotiating with both hands tied behind your back.

Mr Costante: If I were to put my strategy out on the table here today, sir, indeed I would be negotiating with all my cards exposed when the opposition does not, and I think that would be a mistake. I am trying to negotiate from a balanced perspective. Both partners have things to win and lose, and that's how you have to go into that. We want to do the best for the taxpayers of Ontario. That is my objective.

The Chair: Thank you.

Mr Kormos: Sir, you speak of a mug's game, and indeed it's the taxpayer who's getting mugged.

On page 45 of the 1998 auditor's report, he notes that the hourly rates being charged by Andersen are on average 63% more than the rate that they proposed in their original RFP. Is the auditor wrong in that observation?

Mr Costante: No, the auditor is correct.

Mr Kormos: So Andersen, when it provided the RFP, indeed quoted or cited much lower hourly rates?

Mr Costante: The agreement that was struck with Andersen is that we would allow them to charge into the cost pool their standard published rates, and that's what they've been doing. They've adhered to the contract.

Mr Kormos: I have no doubt. They cited much lower hourly rates in their RFP than ended up actually being paid out. Isn't that correct?

Mr Costante: That's correct.

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Mr Kormos: OK. Auditor's report: I refer to, in today's report from 1998, page 6, "In 1998 Andersen Consulting rates ranged from \$85 to \$575 per hour ..." Is that correct?

Mr Costante: Sorry, I don't have it in front of me. I agree, if you're reading from the report.

Mr Kormos: "... compared to \$28 to \$70 per hour for comparable ministry staff." I take the auditor to mean comparable when he says comparable. Do you?

Mr Costante: I don't know. I think that would be open to discussion. I don't think the ministry, at those rates that we pay for government staff, can get the expertise. I think the entire IT community and I believe the auditor would agree with me that we can't hire the types of people at the government rates, the government pay, in the quantity we need to, to do some of those tasks. And

the government role and the Andersen role are somewhat different.

Mr Kormos: Let me tell you, Andersen bills the province \$85 an hour for a clerk to enter data into computers when provincial employees do it for \$28 an hour.

On page 2 of today's report, the third bulleted item: You know the auditor raised concerns about the disproportionately high rates being billed on an hourly basis to the government in its 1998 report, obviously. It indicates here that as of July 1999, we're still talking about no significant reduction in those rates. Is that fair to say?

Mr Costante: I think we are talking about a significant reduction in Andersen's costs.

Mr Kormos: In its hourly charges per employee?

Mr Costante: I think the effort that comes out of that will have to wait until we finish the negotiations, sir.

Mr Kormos: You indicate that that's a subject matter for negotiations, but I refer you to the third-party review report, page 3, item 1.6.3, which says: "The current average hourly billing rate for Andersen Consulting's professional services is expected to fall by more than 25% by year-end 1999 based on assumptions regarding the mix of partner, manager, consultant and analyst personnel that Anderson plans to deploy." That has never happened, has it?

Mr Costante: Yes, it has.

Mr Kormos: Then where do we see the 25% reduction in hourly rates charged by Andersen?

Mr Costante: Sorry. There's a difference between rates and the average mix of costs, and I'll let Mr Hession speak for himself.

Mr Kormos: I just want to point out that the third-party review says "the current average hourly billing rate." It doesn't talk about gross charges back; it says the average billing rate is expected to drop by 25%. We're at the end of December, at the end of 1999. It hasn't happened, has it?

Mr Costante: I think it has. I think we can—

Mr Kormos: Then what are you negotiating?

Mr Costante: Sorry, sir, if you'd let me explain. There are rates and then there are the average hourly rates. Early on in the project, Andersen, given that we were in the planning stage, had a lot of their more senior people on the project. The average billing rate was quite high. As we move into implementation, as we move into building the actual system, we have more people, a larger number of people, onsite from Andersen Consulting who are at the analyst-programmer level. Their average rate is a lot lower, so the overall average rate has declined. I would need to verify the 25%, but I believe this year there has been, as the third-party reviewers talked about, a significant decline in the average hourly rate.

Mr Kormos: We want a tabling of the rates being charged by Andersen or being billed by Andersen. I'd like to know if, in view of what you said, Andersen is still billing \$85 an hour for a data entry clerk when the province pays that same clerk \$28 an hour. Ms Martel, go ahead.

Ms Martel: Deputy, you said when you started that income support is one of the key businesses of the ministry. Is that correct?

Mr Costante: That's correct.

Ms Martel: And that the ministry recognizes an absolute need to modernize business practices and technology. Is that correct?

Mr Costante: Correct.

Ms Martel: So it seems to me that the minister would be aware of a project as significant as this one. Is that correct?

Mr Costante: Yes, ma'am.

Ms Martel: Is the minister aware of the details of the contract with Andersen?

Mr Costante: Are you talking the current minister?

Ms Martel: Yes.

Mr Costante: We've briefed him about the overall pieces. When you say "details," you may have to define that for me. Likely even I am not as knowledgeable about the individual subsections of the contract. I don't think any minister is, on those sorts of things. But he has been briefed about the project; he's been briefed about the issues; he's been briefed about the Provincial Auditor's findings.

Ms Martel: When was he briefed about the Provincial Auditor's findings?

Mr Costante: There were some initial briefings early on when Minister Baird first came on—

Ms Martel: "Early" as in June, July?

Mr Costante: Likely in July, about the auditor's findings from 1998. And then he was briefed about the special report.

Ms Martel: And when was he briefed on the special report?

Mr Costante: I think there were several briefings, because we were exchanging drafts back and forth between the auditor and myself.

Ms Martel: So he was briefed several times about this recent report.

Mr Costante: They would have been earlier drafts.

Ms Martel: And when was he briefed about the earlier drafts?

Mr Costante: I'm sorry, I don't have the exact dates with me.

Ms Martel: And were there significant changes to the earlier drafts and this final draft?

Mr Costante: You'd have to ask the auditor that. There have been some changes to it, but I think a large part of the content is the same.

Ms Martel: And what about the ministry's replies? Has there been any change in content in the ministry's replies from the earlier briefings until this final document?

Mr Costante: I think the auditor did accept some of the comments we made.

Ms Martel: Can you tell me, was the minister aware that you'd paid out \$55 million and that the auditor didn't think that was a payout that should have been made?

Mr Costante: I believe he was briefed on that, and he would have looked at the earlier drafts.

Ms Martel: Did he approve the payment of the \$55 million up to the end of July?

Mr Costante: The \$55 million are payments that have been going on since this project started back in 1997. Those payments, I believe, are approved by the director, if I'm not mistaken.

Ms Martel: So since July until this time, how much more has Andersen received above the \$55 million?

Mr Costante: I think we can tell you that, actually.

Ms Ewart: The savings you have to July 31 are \$66.8 million. The savings, a comparable number, to the end of September are \$70.9 million.

Ms Martel: No, what's the payout to Andersen?

Ms Ewart: The payout to Andersen?

Ms Martel: Yes, till right now.

Mr Kormos: If it's less than \$10, don't bother.

Ms Ewart: It's \$55.3 million to July 31, and \$58.8 million.

Ms Martel: OK, but what I want to know: Was the minister aware that the ministry was continuing to pay Andersen money in spite of the fact that the auditor had made it very clear that this money should not be paid out? Is that true? Was the minister aware?

Mr Costante: The minister is aware that the project is ongoing and that we've been making payments all along.

Ms Martel: Did the minister express any concerns to the ministry staff about continuing to pay Andersen?

Mr Costante: This is a major project. The minister is obviously concerned, and he wants the best thing for this project too. He obviously wants to make sure that we get the best value for taxpayers' dollars.

Ms Martel: He wasn't concerned enough to stop the payments in light of the auditor's comments, which were serious comments.

Mr Costante: Sorry, the government has not made a decision to cancel this contract, which is exactly what you're talking about.

Ms Martel: That's clear. Let me say, was the minister responsible for agreeing that the contract should continue for another year? Was he aware of that decision? Did he agree to it?

Mr Costante: Was the minister aware of that decision? I think the minister would have understood that; I'm not sure whether he would have agreed to it.

Ms Martel: So you don't know if the minister agreed to the extension of the contract by a year?

Mr Costante: If we want to talk in legal terms, the contract is not formally extended. We know that as we get into these discussions, our timetable is going to require it to be formally extended by one year. That has not—

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Ms Martel: Does the minister agree that—

Mr Costante: Sorry, that has not been formally documented between the two. I will acknowledge—

Ms Martel: But we've got it documented in this report.

Mr Costante: I would acknowledge that at a staff level, we and Andersen acknowledge that in order to complete the project we are going to need the one-year extension. We have not formally done it yet.

Ms Martel: Is the minister aware of the extension?

Mr Costante: He is aware it's being discussed.

The Chair: That's the eight minutes. We'll now go to the government side.

Mrs Marilyn Mushinski: I'm looking at today's clippings, the Toronto Star: "A senior government source said last night that current social services minister, John Baird, 'hit the roof' when he read Peters's latest update. The minister is adamant that talks with Andersen be initiated, and he's made it clear that the project must be completed on time and on budget," the source said."

Could you account for that, in light of the comments you just made to Ms Martel?

Mr Costante: I'm not sure what you're asking. Discussions I've had with the minister—

Ms Mushinski: You indicated that he's been briefed all along on the content of Mr Peters's interim follow-up review.

Mr Costante: The minister is quite adamant that this project be on budget and on time. I think he'll be very interested in knowing, being somewhat directing the nature of the discussions we're having with Andersen Consulting.

Ms Mushinski: OK. That sort of answers that question. You have to forgive me, because I'm a little new on this committee. I guess my next question should probably be directed to the program director.

I'm really interested in where we're going, and I'd like some picture of where we're going to be at the end of this whole process. Could you explain to me where we are at this point in time and where you intend us to be at the end of the process, please.

Ms Szyptur: As the deputy minister mentioned, the system we had in place and continue to have in place is very outdated—lots of paperwork. The staff essentially spent all their time filling out forms in duplicate and triplicate, and did not have enough time to actually spend with applicants and help them find jobs.

As we know, one of the reforms is to ensure that people can get jobs and get off social assistance. This project has tried to support that through changes in technology and business processes.

What we're doing is several components and several functions. I think that one of the key changes is focusing on how people apply for social assistance. Right now, people have to come into the office, fill out a form that can take a couple of hours, and at the end of that, they're told they're not eligible. What we're trying to do is develop a process through a telephone screening system where people can call and go through an application process and actually be told that they're either ineligible or that they have a potential for eligibility for social assistance. They would then come into the office and verify that information.

We would be doing third-party checks, which we are not consistently doing now. So they can tell us on the phone that this is the rent they pay or that they have no other income, etc. etc. We will be checking with other sources such as credit bureaus, Revenue Canada, employment insurance, to make sure all the information is correct. We'll verify that information and then focus on helping people get jobs, and that is a big change. So the work of the workers will shift and change to employment assistance.

We'll also have more performance management reports and more management reporting to ensure that the Ontario Works program and ODSP are doing the best job they can. So more information will be available to all levels of staff, both in municipalities and in government. There's really a focus on improving client service, reducing fraud and helping workers in terms of helping applicants get jobs. I think that's the essence of the changes.

Mrs Julia Munro (York North): We've heard from Mr Hession this morning and I just wondered whether we could have a little bit of information with regard to the—obviously you've told us a bit about the project—credibility of this firm in being able to be here as a third party.

Mr Hession: It's important to realize that there are two elements to the third party. There's myself as an individual, and there's Hickling Lewis Brod, who are the business, case and risk analysis experts. In my own case, I've spent about 20 years in the information technology business both with IBM and as CEO of a large service provider called Kinburn Corp. We were the owners of Systemhouse in Ottawa.

I'm also a former deputy minister of supply and services and spent a good part of my public sector career doing contracting on behalf of the federal government. On my way there, I've been heavily involved as deputy receiver general at the federal level in the performance of audit services within the federal government, particularly comprehensive audit services or the audit of effectiveness, which is essentially what this is about. That's why I was involved, I believe.

As to Hickling Lewis Brod, that company has existed for about 10 years. Their entire business is focussed on risk analysis, primarily public sector, large-scale investments in various forms of infrastructure. For example, they did the business case for Highway 407. They've done a number of business case studies for Pearson airport. They were called in by the General Accounting Office in the United States, which is essentially the Auditor General of the United States, to do the Denver airport when it ran afoul of its baggage system. They did the same thing in a \$4-billion project involving IBM on the Federal Aviation Administration's air traffic control system.

The basic purpose of what that company does is to give confidence to the public policy-makers that there is

or there is not a public benefit to whatever is being undertaken. The uniqueness, if I could say, of what they do, evidenced by their being called forward on some of the larger projects, is they do a particularly thoroughgoing job of risk analysis.

When I listen to the questions of the members, therein lies most of the meat of the issues: Do you or do you not understand what the risks are? Do you or do you not understand what impact they may have on the outcome, if the outcome, is as the director has said, "Better service, write cheques to the right people at the right time in Ontario." We say, as at the date of the business case analysis, based on the size of the universe then, the schedules as we understood them then, the risks associated with those factors, there's close to a \$300-million net benefit to the taxpayers of Ontario.

The assumptions are all there. I might say that I demanded of Hickling Lewis Brod that the business case they did would be auditable. I very much wanted the auditor, members of the Legislature, anybody who wanted to go inside that business case and examine what was considered and what were the effects of that, that that's doable and it's doable as of now.

Mrs Munro: Is there time for one more?

The Chair: Thirty seconds.

Mrs Munro: I just wanted to ask: With all the discussion with regard to renegotiating and so forth with regard to Andersen, it seems to me that much of that discussion centres on the issue of the possibility of their ability to agree to a change in fee. I wondered also if, in commenting on that, you would also include something about an explanation of the difference in rates and the question of the ratio of ministry staff to Andersen staff.

Mr Costante: I can confirm that we are in those discussions with Andersen around their costs and fees. In terms of the difference in ratio, I would say that is true. The ministry rates are charged at ministry salaries and we also add to that expenses, vacation time and all sorts of things. So they're fully billed up, if you will.

One of the things the auditor pointed out—I think he mentioned it earlier—is that there is a difference in the value between the two. That's something I'm sure will be looked at in future common-purpose procurements and something that is likely a valuable thing to do.

The Chair: That finishes that eight minutes. It's 12 o'clock and I understand that there may be a recorded vote in the House. We can either have a subcommittee meeting or the committee can agree right now as to what it wants to do next Thursday.

Ms Martel: If I might, Mr Chair, I would move to have the ministry back because we didn't finish with our questions with respect to this issue. I would like to see the ministry come back next week to answer some more questions.

The Chair: Is that agreed by everyone? Agreed.

The committee adjourned at 1201.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 16 December 1999

Journal des débats (Hansard)

Jeudi 16 décembre 1999

Standing committee on public accounts

Report of the Provincial Auditor
on the Andersen Agreement

Comité permanent des comptes publics

Rapport du vérificateur provincial
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Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 16 December 1999

Jeudi 16 décembre 1999

REPORT OF THE PROVINCIAL AUDITOR
ON THE ANDERSEN AGREEMENT

The committee met at 1046 in committee room 1, following a closed session.

The Chair (Mr John Gerretsen): Good morning, everybody. I'd like to call this meeting to order. What I'm suggesting is that we take an hour, which means 20 minutes for each caucus, to ask any further questions, and then that we leave some time before the 12 o'clock deadline in order to discuss what action, if any, we wish to take with respect to recommendations so that there can be a limited discussion on that. Otherwise, the time will just simply run out at noon, if that's OK. I've just forgotten where exactly we—

Mr Richard Patten (Ottawa Centre): Chair, I suggest 10, 10 and 10 for two rounds, not 20.

The Chair: Two rounds of 10 minutes of questioning. The last time we started—

Mr Patten: We started here last time.

The Chair: All right. Ms Martel, would you like to start it then?

Ms Shelley Martel (Nickel Belt): I'd like to go back to the early opportunities project, which is, as we understand it, the first task order that was arranged between Andersen and Comsoc and paid. I go back to it because I continue to have serious concerns about the ministry seeing this as work that Andersen did versus work that the ministry's own staff did. I wonder, Deputy, if you can explain to the committee what the early opportunities project entails. Specifically, what changes to ministry technology occurred? Who did the work? Was it ministry staff or Andersen staff? The details of that, so we can determine what that first task order was all about.

Mr Kevin Costante: What I'm going to do is ask Ann Szyptur, the project director, to talk about—

The Chair: Excuse me. Just for the record, the person who's answering right now is the deputy minister, Kevin Costante.

Mr Costante: Oh, sorry. Do you want us to introduce ourselves first for the record?

The Chair: If and when somebody speaks, if they could identify themselves the first time and maybe spell their name. It's just easier for Hansard's purposes. Good morning, Mr Costante.

Mr Costante: Good morning. My name is Kevin Costante, C-o-s-t-a-n-t-e.

There are a number of early opportunities initiatives. There's the consolidated verification process and also change reporting. Did you have one of those in mind? Do you want us to talk about either one or both?

Ms Martel: We'd like to know how many of them have to do with the enhanced verification project, but if you can give us each of the components, that would be helpful too.

Mr Costante: I'll talk in general terms and then I will hand it over to Ann Szyptur, who can give you more detail.

The consolidated verification process essentially is a process to look at who is eligible for social assistance. Andersen Consulting brought to that task several new pieces of technology that they designed for it. I know the initials for those are called MAT and NORA, and I'll ask Ann to describe those in more detail.

They also brought to that task a bunch of new business processes and a more rigorous checking format. They worked with us in terms of the implementation of that, both at the provincial and at the municipal level, which it's now rolling out through. There have been significant savings in that process. I believe it's in the neighbourhood of \$35 million to date.

It's essentially a very rigorous process. We think it's one of the best processes in Canada in terms of checking that people are indeed eligible for social assistance, as defined by the legislation. With those opening comments, I'll ask Ann to say a bit more.

Ms Ann Szyptur: I'm Ann Szyptur. I'm the project director for the business transformation project.

Let me talk about CVP or the consolidated verification process. CVP represents a change from a time-based to a priority-based approach to reviewing case files. It also streamlines the current financial review process by amalgamating several verification processes into one consolidated approach. It uses third-party information sources to verify participant information, and it uses new automated tools to assist with managing the process. In terms of the automated tools that are used to support CVP, there are three automated tools. There's the monitoring and tracking tool, which we call MAT, which tracks information on the status of case file reviews. There's a numerically ordered ranking assessment, which

we call NORA, which ranks cases in priority sequence for review.

I think this is really important in terms of a major change in the way the ministry did business. Previously with the review processes, it was time-based. Approximately every two years a review was to be done. With the numerically ordered ranking assessment process, the reviews are done based on priorities, and those are priorities based on risks, for example, the number of times people move. The level of rental income is a factor in terms of contributing to risk around eligibility.

We also have automated interfaces which allow for access to participants' financial and asset information to third-party sources. Those are kind of the major components of CVP.

CVP has been implemented, as the deputy has said, across the provincial offices. It has been implemented municipally in three pilot sites and is now being rolled out across the province. The intent is that by the spring of 2000 we will have implemented CVP in all of our delivery sites, both provincially and municipally.

In terms of the key components—and I think, Ms Martel, your question was around the activities that were involved—there was new technology that was developed, as well as new business processes. Andersen Consulting had been involved in developing both of those, as well as training staff in our regional and municipal offices in implementing this new verification process.

Ms Martel: If I'm correct, Andersen has said that the cost to do that, the cost to them so far is about \$14.3 million. Is that correct?

Ms Szyptur: That's the information they gave, and I'm sure it is.

Ms Martel: So if Andersen's costs to do this were \$14.3 million, why would they have been paid up to \$58.5 million so far?

Mr Costante: Essentially, how the task orders work is that all of the components of the business transformation project are spelled out in task orders, which kind of chunk out the work. On some projects there are more benefits than costs. On other projects there are more costs and perhaps even no benefits. It's just the way the entire contract works. You have to look at it as a whole.

On this one here, it happens to be the case that there are more benefits than costs. On several of the other task orders that they have done, including the design, they've spent tens of millions of dollars so far and have received no benefit in respect of that. I believe at this point in the contract Andersen's costs exceed the benefits that have been repaid to them.

Ms Martel: But the overall agreement says the ministry is under no obligation to pay anything until all of the benefits in the pool are higher than the cost, and that's never occurred yet. Correct?

Mr Costante: The agreement does allow for us to make an early payment.

Ms Martel: OK, but you're under no obligation to pay Andersen's costs as put in by them, not by anyone else. Andersen's costs as totalled by them are \$14.3 million.

(a) The Ministry was under no obligation to pay whatever, and (b) they were paid \$58.5 million, when the costs into the pool were some \$14.3 million. Why a payment at all, and why a payment that is so excessive over what their own costs were?

Mr Costante: First of all, Andersen's total costs have been \$72 million as of July 31 and they've only been paid \$55 million, so they have expended more costs than they've been paid. Second of all, as I explained last time, the rationale around the early payment was to reduce interest costs. Andersen is allowed to charge interest costs; the province is allowed to charge interest costs. Andersen's cost of borrowing is higher than our cost of borrowing, and therefore it is of economic benefit to us not to have them charging a large amount of interest into the cost pool.

Ms Martel: What are Andersen's costs of borrowing based on?

Mr Costante: I believe they're based on prime, which I think is in the neighbourhood of 6.5%, and I think the most recent government borrowing cost is in the 5% range, so it is cheaper for us to borrow.

Ms Martel: Do you get an actual billing statement from them which outlines their interest costs?

Ms Szyptur: We have a letter from their bank informing us of their interest cost.

Ms Martel: Is it over a quarterly period, annual?

Ms Szyptur: We have a letter that talks about their borrowing rate being at prime.

The Chair: That's ten minutes right there.

Mr John Hastings (Etobicoke North): Thank you for coming back in, folks. I have a few questions for you, Mr Costante, and you may want to refer some of these back.

My concern focuses on before the Andersen Consulting contract was negotiated. I would like to have you report to this committee, probably in February, if possible, what kind of historical critical problems amounted to in the ministry before. I know we have some of this material from the auditor in terms of the costs on the broad side, the costs on the loose eligibility criteria that seemed to be in place during the past 10 years. To me there's always a story behind the story and I think it would be important for this committee to get some of that kind of data on a per case handling basis for family benefits and for general welfare allowance.

When you provide those kinds of costs per unit, I'll leave it to you, but I suggest we need at least some comparative basis between 1985 and 1995, leading up to this situation we have today, in terms of the fraud issue, in terms of the over-eligibility criteria or the loose interpretation or application of that eligibility for both of those situations.

Complicating that, I suspect, is the whole situation of Canada pension plan eligibility and how that came into play in some of these situations over those time frames.

My aim here is to get a handle on this situation from a historical, critical path perspective, which I don't have a firm sense of on a per case handling basis. You can do it

per social worker, you can do it per client, you can do it per 100,000. I'll leave you that kind of flexibility, but we are getting all kinds of numbers here about the Andersen Consulting contract.

I would like to know what, were the challenges facing Comsoc prior to your arrival? Some of these other folks were on this management team prior to your arrival. Those data should be available and when you provide it I would request specifically that where there are changes—if you're going to use a graph or if you're going to use, for the fraud example, the amount of fraud per family benefit case, can you put footnotes or asterisks that clearly define where there are variations? That's what I would like to know. Those would be my specific questions.

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I have a further one I'd like to ask you in terms of the re-negotiation of this contract which you keep telling us is confidential, and I understand that, but surely you could tell us, what are the specific parameters you are involved in, in a general sense? Who is on your negotiating team? What is the outcome in terms of the time you're expecting to get this thing completed? Will there be specific penalties, or the risk-reward thing the auditor uses, that we can see after you've negotiated the contract?

My final question would be: Will you get access to the New Brunswick experience in terms of how they supposedly got a closer handle on their expenditures in this whole area? Remember, the amount of welfare costs went astronomically high in that time frame. I think we need to get some historical perspective on the record before we arrive at where we are with this Andersen Consulting thing.

Mr Costante: I can try to answer some of your questions in broad strokes and come back later with written, detailed, year-by-year information, whatever we can provide. First of all, it's fairly well known that the number of people on welfare and the cost of welfare massively ballooned between the mid-1980s and the early 1990s. The costs were around \$1.5 billion in the late 1980s, and by 1994-95 we were over \$6 billion. There was a large increase.

It's also not a secret that at that point there was a large number of clients coming on to the system. The staff, both at the provincial and municipal level, were struggling to cope with the influx of people. Given that large increase in demand, some of the checking was not always done as thoroughly as possible, nor did they have the types of tools that we now have as a result of the Andersen contract to deal with eligibility. Therefore, the amount of fraud, misrepresentation and error was high, and that error can be both client error and staff error. The amount of problems on the system, which we have been quite diligent in terms of trying to address, rapidly escalated during that period.

We can come back to you and talk to you about what we have found over the last number of years in terms of our fraud investigations. It's always quite difficult, and I

think many systems struggle with the level of fraud, because no one is going to stick their hand up and say, "I'm defrauding the system."

Major systems like ours, like the Canada pension plan, like unemployment insurance, I don't think can give you an accurate forecast of the amount of fraud. We can often tell you what we're finding through case reviews. It gives you a sense of that. The accuracy and the percentages that are thrown around vary from a couple of per cent right up to 20% and 30% and you see a fairly broad range of estimates. The best indication we can give you is what we're actually finding. We will provide that information to the committee.

In terms of our most recent discussions with Andersen Consulting, the negotiating team consists of myself, Bonnie Ewart who is here with me, and the chief administration officer for the ministry, Angela Forest. It's hard for me to predict when we would conclude those discussions. We hope to do it as soon as possible. Negotiation discussions require both parties to agree. I don't have firm control over that. Obviously we would like to get it done in the next couple of months. We want to get it done quickly and get it over with and move on with this project.

The other issue you had asked about is what we are looking at doing. As I said last time, we are looking at reducing costs to the government for this. I should point out that as we reduce costs, the relative amount that the government gets from the benefits will increase, as our costs go up and as their costs come down relative to our cost. That is our prime objective, to make sure that we get a good deal in terms of this.

Obviously, you get into a discussion or trade-offs on how far you can go and it's a commercial deal. I don't think I can say more than that.

Mr Hastings: Do you have anybody from Management Board on your negotiating team in the renegotiations?

Mr Costante: We do have a support team that assists us in terms of getting information and providing us with advice and we will have somebody from Management Board on that.

The Chair: You've got one more minute left.

Mr Hastings: I have a question for Mr Hession. He mentioned last week that he's looked at this arrangement with Andersen Consulting and mentioned something like \$300 million anticipated savings over the life of this project. What I'd like to know is, what specific methodology or formula are you using to come up with that number if it isn't coming out of policy changes? I believe you said last week it's not also coming out of design benefit attribution. I'd like to know how you achieve that and is that a really firm figure or is it somewhat off on your percentage in terms of the outcome?

Mr Ray Hession: I did cite the \$300-million number as the forecast—I emphasize the word "forecast"—of benefits attributable to all the effects of all of the measures being taken by the project, and there are many, needless to say, two of which have been discussed more

specifically here this morning, the so-called early opportunities, but there are many others.

At the end of the day, specific to Mr Hasting's question, the effects take the form of more accurate amounts in the cheques written to persons who are deemed eligible—so the eligibility criteria are more rigorously enforced—on time to the right person at the right place. Those are essentially the effects.

Now, to get there, the causes, meaning the measures taken I've just spoken about, are modelled to show all of the relationship between the causes and the effects. In this model there are probably on the order of 300 to 400 variables, so you can see the complexity of the exercise.

Most profound in all of this is the analysis of risk that arises when you contemplate a cause and an effect. You say something's going to happen in the future. Yes, but what's the probability of it happening in the future? And you have to very judiciously assess that. That's why I was putting so much emphasis at my first utterance on this last week. That risk analysis is profound. So at the end, I say the probable outcome, the expected outcome, the average of all the considerations, is a \$300-million outcome.

If you ask me, which I'm quite prepared to deal with, "What would you tell me, Mr Hession, if I said: 'I want a higher sense of competence here. What's the 80% probability or the 90% probability of an outcome?'" The size of the benefit, I will answer, is a smaller number. But I would tell you most profoundly, this is a robust business case.

If you apply worst-case scenarios of a break-even, it's less than 1% chance that this thing will get to the point of break-even, where your costs and your benefits are equal. That's not an outcome anybody wants but it gives you a test of the robustness of the business case. I say the expected outcome is \$300 million based on what we knew back then. I told you, forthrightly, that there are scheduled risks involved. There may or may not be slippage. Andersen may slip; the ministry may slip. That will affect the outcome.

Also, significantly, is the size of the universe of eligible program constituents here. We already know that's smaller because of the economic effects in Ontario. There's some elasticity here, but the most important thing is that it's intellectually complete as best we can humanly achieve. It's auditable, and I again encourage that that occur. Take a hard look at what's there. It's transparent, so legislators can look at it and satisfy themselves that yes, they've thought about all of the things that matter here. It may transpire that there's human error in there, although we don't think so. It has been tested over and over.

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The Chair: Thank you very much. I let that run on for about three or four minutes that I'll take off the next time just to get the answer in.

Mr Joseph Cordiano (York South-Weston): Let's deal with the questions of what we knew back then and what we know now. One of the first questions I have is

with regard to the figure that was used by the deputy minister with respect to Andersen's total cost. You pointed out that it was \$72 million, not \$14.3 million as we've indicated. As well, you've suggested that the government used its borrowing capacity at a much lower cost, 5% versus 6.5%.

Can I ask you, did in fact Andersen borrow those funds from the bank? Did you get verification that there was any borrowing done, or have you borrowed money on their behalf thus far, which you can verify for us? What exactly has been borrowed?

Ms Szyptur: In terms of the contract, the contract talks about interest going into the cost pool. The interest is based on the costs that are in the cost pool. It does not reflect any discussion of whether the costs have been actually borrowed or not. In the same way if I can talk about the ministry costs, there are interest costs that go in the cost pool. We have not gone to Management Board to actually borrow those funds, but there is still interest that is accruing. This is done to balance the risks and reward that both partners face in the contract.

Mr Cordiano: I'm to understand, then, that no borrowing has taken place to date?

Ms Szyptur: We don't know that.

Mr Cordiano: You can't verify that. You know for a certainty, however, that Andersen's total cost is \$72 million, but you don't know if there has been any borrowing taking place.

Mr Patten: Not costs, that's their billings.

Mr Cordiano: I'm going to get to that, but I just want a response to the borrowing question.

Mr Costante: The firm could potentially borrow internally. It is charging us at its established rates for the individuals who are on the project. Those costs and what they have incurred add up to \$72 million. We have paid them from the earlier opportunities, I believe it was \$55 million up till the end of July. They are then entitled under the contract to charge interest for the difference between those two numbers at their borrowing costs, which we understand are prime.

Similarly, the ministry has incurred costs. We have got some savings. We have a gap between what we have incurred and what we have been reimbursed for. We are entitled to charge interest into that. Whether they actually had to go to the market to get it, that is an internal bookkeeping matter for the firm. They have thousands of partners. They could be borrowing from that. I think you would actually have to ask that question of the firm.

Mr Cordiano: That's not really the question. You're stating categorically that the costs for Andersen amount to \$72 million. The auditor has indicated that the costs are actually \$14 million. There's a statement in his report that suggests that, to date, as of July 1999, if I'm not mistaken—

Mr Costante: I think you should check with the auditor on that. I think the auditor would acknowledge that they have billed us for \$72 million.

Mr Cordiano: Let's ask the auditor the cost to the point of July 1999 for the early verification project.

Mr Erik Peters: Chair, maybe I can help out. If you go to page 8 of our report, this is the minister's information, and the deputy is quite right, \$72.655 million is the total project cost charged to the project by Andersen Consulting at that particular time. What we were relating the \$14 million to was—this is the overall project—the individual task orders. It is the early opportunities initiative task order that had incurred costs of \$14.3 million, which is included. That's at their charge-out rate, though. In other words, \$14.3 million is included in that \$72.655 million.

Mr Cordiano: Right. Then the question is, is the \$72 million at Andersen's charge-out rate entirely?

Mr Costante: That's correct.

Mr Cordiano: So the early opportunities project, the verification process, they billed \$14.3 million—thereabouts—for that work that was done. I'm sorry. They billed \$55 million, and their cost was \$14 million.

Mr Costante: No, I think you have your numbers wrong. The costs for the consolidated verification process were \$14.4 million.

Mr Cordiano: Right.

Mr Costante: The amount they received in terms of savings was \$35.7 million. The 55 number that you're talking about is the overall, and that \$55 million relates to the \$72 million. If you want to break it down just to the consolidated verification, the correct numbers are \$14.4 million in costs and \$35.7 million in savings. Those are the numbers I have.

Mr Cordiano: They were paid, totally, \$72 million. But for the early verification project, or that part of the work, they were paid, to that point, \$55 million.

Mr Peters: Sorry, Chair, if I may. What is happening is, there was a \$66.7-million benefit identified to the so-called early opportunities initiative, and of that benefit they received \$55.3 million and the ministry retained \$11.5 million. But on the early opportunities initiative, which was allocated these benefits, the actual billed costs at their rate for Andersen was \$14.3 million.

Mr Cordiano: In other words, their true cost for that work was \$14 million?

Mr Peters: Yes.

Mr Cordiano: That's what I'm saying and saying it over again. I guess you can look at it from a number of different points of view. Again, it relates back to the question of, if they had to put out this amount of money, \$14 million in costs, presumably—I don't know if this relates back to the borrowing function as well. Did they borrow for those costs and therefore they're billing for that borrowing? You had to borrow what you say you're accumulating in terms of savings. There's an interest charge for that. All of this equates back to the \$72 million that is their billing rate. I'm trying to figure out what makes up those figures.

Mr Costante: I'll try to clarify the figures. So far, there has been, to the end of July, \$66.8 million of savings. Those are comprised of \$31.1 million from the change reporting early opportunities, and the other amount, \$35.7 million in savings, is from the consoli-

dated verification process, for a total of \$66.8 million. Those savings were shared proportional to our costs. Andersen Consulting received, of that \$66.8 million, \$55.3 million, and the ministry received \$11.5 million.

Mr Cordiano: Right, not between them.

Mr Costante: If I can further clarify, then. I had acknowledged earlier with Ms Martel that in the consolidated verification process Andersen's costs were \$14.4 million, and they would have received their proportion of the \$35.7 million in savings.

I should also point out that in terms of doing the design of the system, Andersen has incurred \$32.2 million in costs and has received nothing in terms of benefits for that particular thing. That's why I was making the point earlier that you have to look at the costs and savings in a holistic manner and not task order by task order, because in some of them there are going to be more savings than costs and in some of them there are going to be more costs than savings. The project has to be looked at in totality.

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Mr Cordiano: Let's look at the early opportunities project. There was obviously that cost for Andersen. However, it was identified on the business transformation project schedule that it would be finally completed, released to rollout—this is what I have in terms of the schedule—by January 2002. In the original estimates of the project, there was supposed to be an enhancement made right at the very beginning for this verification process to work.

So we're getting conflicting information here with respect to completion of the project at January 2002, and yet the CVP is being done here and costed by Andersen as you go along. The project is not complete, it's not working in its totality, so what is in fact taking place?

The question that this begs is: Has the ministry done the bulk of the work in the verification in the early part of it and Andersen is receiving the benefit for that? It goes back to the question of the mixing of the benefit pool.

Mr Costante: Let me speak about the notion behind early opportunities. The notion behind early opportunities is similar to any very large project of this nature being done. Essentially all, or most—I can't make that broad a statement—try to get early wins to try to start showing momentum both for staff and clients. That is the notion behind early opportunities, that we start making changes early, get some savings, show some momentum, show some movement. That was the notion.

It was also understood that we would get savings from that. The early opportunities themselves, consolidated verification being a good example, is a process and a set of tools that is going to be built in to the final product that is developed by January 2002. It's not something that we're doing and just throwing away. It's an integral part of the final solution.

Mr Cordiano: But this was work that the ministry was supposed to have undertaken, was undertaking, and in fact the benefits that accrued as a result of the

consultants, Andersen, are not realizable independently of what the ministry's work has shown.

The claim that's being made here is that the benefits are accruing largely as a result of the work that's been undertaken by the ministry, having very little to do with the work undertaken by the verification project, and yet Andersen has been able to bill at its bill-out rate to the fullest.

Mr Costante: I disagree with the contention. The principle behind these—and I think we have gone through a fairly rigorous examination of metrics—is that we do not charge into the pool for things that were going on previously. This is the concept that what they have provided us has resulted in incremental benefit and they only get paid out on that incremental benefit.

We did have a verification process in place prior to this. We established that. What we are getting there is our benchmark. The savings that we're being credited here are over and above that and are as a result of this joint work that we're doing. I think we can show that, and when the auditor comes back in I am positive, after today's discussion, he will look at that and I'm confident he will say it's there.

Mr Cordiano: That is the problem. The main problem is that the auditor does not agree with what you're suggesting.

Mr Costante: Frankly, the auditor has not been back in to have a look at our case. This is an interim report. He has to come back. He has said he's coming back. He will look at it and then I think he will be able to give you better confidence. We think we've done it. We think we've gone through a rigorous process that's auditable and we look forward to proving our case.

The Chair: Thank you very much. The Liberal caucus has five minutes left. I let that go on because there was discussion going on. You've got 10 minutes, Ms Martel.

Ms Martel: I would like to verify, just so I'm clear. You're saying to us that the automated tool, MAT, was solely developed by Andersen?

Mr Costante: I'm going to ask Ann to answer.

Ms Martel: Sure, whoever. MAT was solely developed by Andersen?

Ms Szyptur: The technology was developed by Andersen Consulting. The ministry, as with any large information technology, was involved in terms of validating and providing input in terms of the user requirement to ensure that the business requirements are fully understood by the consultants.

Ms Martel: And NORA?

Ms Szyptur: The same.

Ms Martel: The third-party interfaces that you spoke about as the third prong in this project, were those developed solely by Andersen?

Ms Szyptur: The same response that the technology was built by Andersen Consulting—

The Chair: I'm sorry, could you speak up. We can't hear you.

Ms Szyptur: I apologize; we only have one microphone.

The technology was built by Andersen Consulting. The ministry has been involved in terms of providing input and validating the user requirement.

Ms Martel: Let me go back to the interest. You're paying Andersen 6.5% at this point. On interest charges? That's correct?

Mr Costante: I believe they're allowed to charge in, or their practice has been to charge in at prime and I think most recently that's been at 6.5%. I assume it varies with prime.

Ms Martel: But you're not sure what they've borrowed to date for the purpose of the project?

Mr Costante: That would be an internal matter whether they borrowed it from within the firm or a bank or they had surplus cash that they could use to do it. They were incurring this thing. It was allowed under the contract and that's being provided. Similarly, the ministry hasn't had to borrow for that; the money was budgeted. We are also allowed to charge in interest the difference between what our costs have been and what we've been reimbursed by the efforts of the project.

Ms Martel: So we have no idea what amount they may have borrowed, if they've borrowed, from a bank to pay for this project. We have no idea what that might be.

Mr Costante: That's correct.

Ms Martel: I don't understand why we're paying this. Am I missing something? Why would we be paying Andersen interest charges on money we don't even know where they're borrowing from or if the money they're borrowing is for this project?

Mr Costante: It's the difference between what they have billed us, according to their rates, and what they have spent and what they have been reimbursed. There is a gap there. Whether they have had to borrow it from a bank or whether they had to take that from surplus, there is an implied cost of that amount of cash. I don't understand your question.

Ms Martel: Wouldn't the interest rate vary depending on the amount of money they have borrowed for this project?

Mr Costante: The amount which we're paying interest on is the gap between what they've been paid and the costs they have incurred. That is the normal notion around interest.

Mr Cordiano: I don't understand that.

Ms Martel: I don't either. I will leave that for the auditor after.

The Chair: The auditor might want to make a comment.

Mr Peters: Only if you want me to.

Mr Cordiano: Sure.

Mr Peters: What we were referring to is that when we looked at, for example, the New Brunswick contract, Andersen Consulting had to bring to the government a statement from the bank showing both the amount they had to borrow and the rate at which they were to borrow. What we are hearing now is that in this particular case in this province Andersen only has to bring a letter stating

the rate at which they're borrowing but not necessarily the amount to which that rate applies.

Ms Martel: Does that make sense to you?

Mr Peters: No, I would prefer the New Brunswick solution.

Ms Martel: Let me ask about your negotiations. Have these negotiations been triggered because of the fact that we know Andersen has to have at least another year to complete this project so that it's going now from four to five? Is that what the trigger was for the negotiations that are about to occur?

Mr Costante: No. I'm not sure what the exact trigger was. Certainly there was a statement last year by Minister Ecker that there would be discussions around getting rates and costs down. That was put on hold pending the final design. That design was completed in August. Andersen Consulting did table with us a proposal back in September and we've had some discussions since then which are ongoing.

Ms Martel: Minister Ecker's commitment on November 4 in the House was that the billable rates would be negotiated. In fact, she said they were being negotiated at that point. We are here almost a year later to the day when you folks were last before us and we are finding out now that nothing occurred in that whole entire year. I cannot understand that.

Mr Costante: I disagree that nothing occurred. What was decided at that point, as I understand it, was that the third-party reviewer was coming in. Discussions were put on hold at that point. Discussions were further delayed until the detailed design was done, so we would know what the ultimate system looked like.

In that period of time—and I think this is information we provided to the committee—the average hourly rate for Andersen Consulting, through the mix of staff they have on, has been declining and is forecast to continue to decline. We have gone to the table to talk about getting costs down.

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Ms Martel: Deputy, I don't see what difference it made, one way or the other, if the project design was underway or not. The fact was very clear to all members of this committee, and your own minister at that time said, that the rates Andersen was billing were unacceptable. She said in the House that negotiations were underway.

I don't understand what the design work has to do with this. The issue is what they're billing, and that has not been dealt with for an entire year.

Mr Costante: It's in the process of being dealt with, and the costs, as we've shown, have been declining, as the third-party reviewer has shown.

Ms Martel: No, Deputy. What we have are rates that are still 63% higher than Andersen's original cost estimate when they came to bid on this project in 1995. Is that correct?

Mr Costante: Yes, it is.

Ms Martel: So there's been no change in terms of the grossly inflated rates they are billing this ministry for this project.

Mr Costante: There is a difference between rates and actual costs, because the rates—some of the people they have are not charged at the top of the range and are charged at lower rates. I repeat, we've been seeing those costs go down.

Ms Martel: Deputy, would you agree their rates, billed today, are 63% higher than they estimated they would bill when they came to ask for this contract in 1995?

Mr Costante: I have confirmed that already.

Ms Martel: This leads to the negotiations. You have said to this committee that you really can't divulge too much. But we are not talking about a request for proposals; we're talking about a vendor that's already in place, and we're talking about serious, serious financial problems that the auditor has noted. So I think we are entitled to ask questions about the parameters of the negotiations that are a little more detailed than you have been prepared to give.

For example, I would like to know: In your negotiations, are you going to negotiate Andersen back down to the billing rates they put forward in their own RFP in 1995, their rates?

Mr Costante: Ms Martel, I can't possibly answer that. A negotiation is a negotiation. There are two sides. We have a position or positions; obviously, they will have. Again, I don't intend, nor do I think it is prudent for me, to discuss my negotiating positions in public. I think that does the government and the taxpayer a disservice.

Ms Martel: I think the contract in place is already doing the taxpayer a hell of a disservice, and the problem this committee has is that we are here a year later with many of the same problems the auditor identified in 1998 and clearly no change in some of the major problems. We are concerned that you will go off and have some more negotiations and we will be stuck with a contract that is as ridiculous as the one we are currently examining.

Surely you can give us some indication, for example, as to whether the maximum rate they are allowed to bill at under the contract, which is \$180 million or the maximum rate they can receive, is one you are going to try to ratchet down. Again, in their early estimates to you, their maximum cost was in the order of \$50 million to \$70 million, not \$180 million.

Mr Costante: Let me clarify the \$50 million to \$70 million. The \$50 million to \$70 million was never an estimate by Andersen Consulting of the cost for this project. They were not allowed to come in and look at what the costs would be. As well, at that point we were looking for a partner. The legislation had not been tabled. We were looking for a partner to develop a solution with. The \$50 million to \$70 million was based on their experience, what they thought a ballpark amount would be. When they got in and with the increase in rates, the amount is higher. To say that \$50 million to \$70

million—as has been repeated, this is not a traditional procurement process.

The Chair: Thank you very much. The 10 minutes have expired. Mr Maves.

Mr Bart Maves (Niagara Falls): I actually want to continue with some of Ms Martel's line of questioning. I think I'll address my question to you, Mr Hession, because I know we talked last time about your great deal of experience in contracts and procurement, particularly in this type of industry.

I think everyone agrees that one of the obvious flaws of this contract was not having a very good handle and control on rates. Ms Martel just talked about going back to a 1995 rate. When you have a project like this that is over a long period of time, in an industry like this one, where I imagine there's the Y2K and probably a great deal of business out there right now and over the past five years for these types of firms and this type of work—I think the layman would say an inflation rate of 3% is normal over a period of time. This obviously goes way beyond a 3% increase and just inflation, and 63% is obviously high. I think everyone in the room believes that. Can you give some idea of a fair or expected rate of increase over that period of time?

Mr Hession: Yes, Mr Chair. First, let me say that Andersen's rates are high. That statement is certainly obvious to everybody in this room and to anyone observing this transaction. They're high because I perceive they're deploying on this project a certain quality of personnel to achieve the project's aim. Those persons do command the kind of fees we are seeing applied here. The shock was the differentiation between the rates in the original proposal versus those that arose in September 1997. Why that happened is a question I don't hear being asked. I would like to try to offer an explanation for that.

It's important to understand that the margin of profitability in consultants' rates in this industry is primarily found in the range of 25 to 35%. The lower end of that range is typically found when the nature of the project is heavily focused on hardware and software; that is, the provision of commodities of that sort. The higher end of the range arises when the proportion of effort is in professional services. That happens to be the case here.

I postulate that, back in 1995-96, when the proposal activity was active and when Andersen, like other bidders, were assessing their risk, they thought a normal margin of profitability here, and hence the fees they proposed, would be in the order of 35%. I postulate that that's about what they bid. I know something about competitive rates. I know the rates in other companies with whom I've done business over the years, including my own, and that's about right.

Why, then, did the rates suddenly jump so dramatically, causing legislators and officials to be alarmed? I believe the answer is found in the assessment of risk. If, as a commercial enterprise, you're facing the appearances of, first, a cap—the \$180-million cap—and a protracted process to get from where you are acknowledged

to be, a difficult problem to be solved—as I think Mr Hastings pointed out in his earlier commentary—to the point where five years later, or four years later in the context of the original contract, you have a deliverable that will yield to you, the commercial partner, a normal margin, back to my 35%.

Again, my assessment, which was based on a lot of interviews and detailed analysis of data, would lead me, if I were faced with that commercial proposition, to say, "My margins are too low. The risk is far higher than I anticipated from the get-go," which was at the point of the niceties of a request for a proposal and meeting with my potential partner and assessing the relationship and so on. Now, I'm faced with the stark reality of the moment. The stark reality of the moment said there's delay, and there was a delay right from the get-go on this project, caused by, among other factors, an unready public sector partner, caused by—at that time, history will show—a great deal of legislative change, the effect of which was to alter the definition of the outcome, which itself was not that well defined at that stage, but still sitting there with that \$180-million cap.

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In normal commercial decision-making, the company said, "We have the facility inside the contract to mitigate our risk. The way to do that is to increase our fees, the effect of which is to increase our margin." In the capitalist society in which we live, margin is the principal measure of risk. So I say to you, what we're witnessing here is a company that is essentially banking risk in anticipation of more delay, more risk to them associated with the changes that appeared to be arising at that point, moving to different programming, different arrangements in the area of public policy, over which they have no control.

That, in my mind, explains what happened. The order of magnitude is really your question. I have to say that probably today the margins cumulatively in that contract are well above 35%. So then I say, what is the probability of this company delivering this product within the \$180-million cap? I say it's low. So they're going to run up against the cap, and the only defence they have at that stage is to begin to eat into the accumulated margin that's now on the table, to bring it back to, hopefully, a normal margin. I then say that if in their minds, commercially, they can't get that normal margin and they see no fault in their execution of this contract, then there's going to be a tough decision for the ministry and the government to make. Andersen's going to say, "Just a minute. We've done our job to the best of our ability. Yes, our rates are high. Yes, we've tried to manage risk," in the manner that I've described. "What would you do?" You certainly wouldn't do anything suicidal in a commercial context.

I would say that this whole rate issue has to do with risk. I would say that risk, in terms of levers, is largely in the hands of the government first, the ministry second, and the Legislature itself. This ministry, in my opinion, at this stage in this project needs support to deliver the promised benefits of this project. What it doesn't need is

a lot of public airing of what everyone has acknowledged is an appearance of overly high rates. The real issue, I say, from a public policy point of view is, what are the costs and what are the benefits? If the benefits well exceed the cost, surely that smacks of good public policy.

Mr Maves: One of the points that I was getting at with my question was, if you took someone's rates in this industry in 1995 and looked at them now in 1999, all those factors of this particular contract aside, what kind of increases have there been for rates in this industry over the past five years?

Mr Hession: They've been significant. The Y2K pressure that you spoke about is quite real. I was personally involved in organizing the federal and Ontario governments' Y2K contract arrangements. The truth of it is, there is a dearth of skilled people in this marketplace.

It's notable, for example, that the highest-paid official in the Ontario public service today is the chief information officer: paid more than deputy ministers. That's indicative of a problem in the marketplace. It's indicative too that we're importing people, and have been for the better part of 18 months or so, from the Indian subcontinent and that part of the world to help us with Y2K issues. It's also indicative, those of us who do it from the sidelines, watching the effects of the wealth creation in the stock market. In this industry particularly, that drives valuations of people as well. So, yes, there's a lot of pressure.

But having said all of that—and Andersen's rates are high; that's true. They're in the top quartile of the distribution of rates, in my opinion, in today's marketplace. The question you have to ask is, are you getting value for that money? I say, in this project, yes, you are.

The Chair: We have five minutes for Mr Cordiano.

Mr Cordiano: All of us in this Legislature would like to say, "Yes, we're getting value for money." That's why we're here, to be convinced, but we're a long way away from being convinced of that on this side, at least in our party, that this is a contract that makes any kind of sense. It appears to be open-ended in terms of costs. I can guarantee you that there have been other colossal failures in government before with respect to working with the private sector. This appears to be right on track for that.

Let's look at the cap, for example. By your estimates, Mr Hession, if you take your 35% profit margin and apply that to the cap for Andersen, that would imply that of the \$180 million, the cost for Andersen should be about—sorry, the cap is \$180 million?

Mr Hession: Yes.

Mr Cordiano: Given your figure of 35% for a profit margin, that would leave \$117 million for costs. What I see here is that Andersen has already billed \$72 million to date, yet there are, what, a couple of more years to go, three, four? How many years to go before this runs out?

Mr Hession: Two more years.

Mr Cordiano: Can you estimate then, or take a guess? Do you have any idea what the actual cost is going to be for this project? Do you have an end figure at the end of all this? Do you have any sense of that?

Mr Hession: First, on what I think is the simple point you're making, the \$70-odd million versus the \$117 million, that \$70-odd million includes their margin. That's not pure cost. That includes their margin. I've already acknowledged that in my opinion the margin today is not the margin that was in the original proposal. It's a higher margin.

Mr Cordiano: Higher than 35%, is what you're saying?

Mr Hession: The 35% is what I believe to have been the margin in the price that was their original bid price.

Mr Cordiano: The original bid price.

Mr Hession: Yes.

Mr Cordiano: And now we're 63% over that.

Mr Hession: Yes, it's a higher margin.

Mr Cordiano: Wow.

Mr Hession: Again, not to get too philosophical on it, the reason for the higher margin is that there is a deemed higher risk. So the company appears to be banking margin in order to mitigate risk, and the risk they see is the risk they've seen: There has been profound evidence of schedule slippage here.

Mr Cordiano: So that profit margin in proportion would have to be increased by some 63% or thereabouts, and that may not be an accurate figure either because we're applying it to profit margins. What you're telling me in effect is that if I took a ballpark estimate, their profit margin on this is—let's just be conservative and say well in excess of 50%.

Mr Hession: It's high, and it's higher than 35%. I perceive it's going to run up against the cap, at which point, again from a risk management standpoint, Andersen is going to see its margin begin to erode as you go past the \$180 million so that you can't charge any more costs.

Mr Cordiano: I understand that, except that with any project in the private sector, the upfront costs and the start-up costs are the greatest, so their costs for this project will be coming down. Their risk will be reduced over time as they've ascended that learning curve. Everything I've ever been taught about economics and business practices, any business model you would like to use, would indicate that, that in fact start-up costs are the greatest. So what you're telling me just doesn't add up in the sense that the risks involved with this project have already been borne by the government.

Andersen has looked after itself by increasing its margin right at the very beginning. You're saying they're banking all of that. What I'm saying to you is that those margins, as indicated by my colleague Ms Martel, the rate has to be renegotiated and ratcheted down. That's what we're suggesting, because it's quite extraordinary in terms of a profit margin for this type of work, well over 50%. This may be unique, unprecedented, but by the same token, anything you could see out there in the private sector doesn't begin to compare to this.

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Mr Hession: I respect very much your point. There is something, though, that is critical to understanding risk

today. This company has signed a deal that has a cap. It has little or no control over the two most significant risk factors to the success of this project: schedule slippage and the diminution in the size of the caseload. It has no control over that.

So while I agree with you theoretically that the start-up costs typically are higher than the downstream costs as you come down the learning curve, in this case that's not true. In this case, the two most significant risk issues are not controlled by the contractor, they're controlled by the ministry.

Will the ministry provide the resources necessary for the contractor to perform the work? In the past, that hasn't happened. There has been slippage. So if you're the contractor, you're going to defend yourself against that future prospect.

Mr Cordiano: On the other hand, the ministry does have control over that schedule along with the consultant. I would say that the consultant has all the control in terms of that schedule with respect to the project, developing the technology. It's in the hands of the consultant. It's not in the hands of the ministry. The bulk of the work that would have been provided for by the ministry has been completed in terms of verification and eligibility.

Mr Hession: That's simply not true and the risks are higher in the future than they have been in the past. We've got to build this system, we've got to roll it out, we've got to ramp it up. There are 47 municipalities, there are 7,000 public servants involved. This is a huge undertaking involving very significant public sector schedule risk. That's the truth of it. I think they're defending themselves.

The Chair: We'll just have to leave it at that. Mr Peters, you wanted to make one final comment?

Mr Peters: Yes, two very quick ones. The Deputy Minister has rightfully challenged my office to come in and do an audit.

Mr Costante: You don't have to take me up on that, if you choose not to.

Mr Peters: I would like to put you on notice too that when we reported in 1996, the ministry told us and told this committee—the report is before this committee—that the ministry has already introduced—and recently, March, 1996—and fully implemented a process to monitor all ministry policies and procedures, including the enhanced verification process.

So one of the things, based on the comments, that we will be looking for is how much of this was already done and how much is actually attributable to Andersen, because the attribution to Andersen is where we have the main problem.

Secondly, talking about that attribution, and I hear Mr Hession's comments about risk, these rates that were charged, that we are comparing with at 63%, were charged with the September 1998 risks, at which point the slippage that was supposed to be the replacement of the system was supposed to be rolled out in July 1999. In other words, since those rates, you're quite right, are

predicated on risk, they were probably high because there was a high risk that they would not be.

Now we are renegotiating and the rollout of CIMS is now scheduled for January 2002. Are you telling us effectively—or, putting it this way, I would urge you to include in the re-negotiation that there must be somewhat of a reduction of the slippage risk, if you give yourself two and a half years more to complete something that you said you would complete in July 1999, and you are now saying you do in 2002. I would strengthen your resolve in that area.

The Chair: Mr Costante, you've got the final word.

Mr Costante: Just in response to the auditor's final comment, I think that is the piece that we are going into these discussions with. We are saying to our partner, Anderson Consulting, that we have taken a number of steps in the last year to reduce that risk and therefore we think we can get a lowering of their costs based on being able to demonstrate that we're serious about delivering and keeping on schedule and that's what we hope to do. We welcome the auditor coming back and I thank you for your questions here today.

The Chair: Thank you for attending here today. Just to the committee, if I could just have a moment, since it's not quite 12 o'clock yet, if I could just have the attention of the committee members, it looks as if we may be getting some time in February. It may be the two weeks we requested, or something less than that. Do I take it that the committee is then interested in finalizing this matter in one session, and also the other five issues that were identified earlier: the Family Responsibility Office, the office of the public guardian and trustee, provincial personal income tax revenue and related credit and reductions, Cancer Care Ontario and the provincial highway maintenance situation? So we would schedule one of these topics for each day, together with the finalization of this matter. Is that the sort of thing we can agree on?

Mrs Julia Munro (York North): I'm not sure, given what we've just heard in terms of negotiation and the invitation and the acceptance of the invitation by the auditor, that at this point we would be able to hear anything further on this topic.

The Chair: No, I don't think the idea is to hear anything further from them. You may recall that the auditor had some recommendations to make and we may want to discuss that with the committee during the intersession hearings.

Ms Marilyn Mushinski (Scarborough Centre): This is in February before we come back.

The Chair: It's not expected they're going to be there.

Mr Maves: You want to bring back the auditor's recommendations?

The Chair: Bring back the auditor's recommendations at one of those sessions that we may have, and the other five sessions we would be dealing with the five topics that were identified earlier.

Mr Maves: There may be a problem in that some of those recommendations may need to be brought forward

today so that they can be sent over to the ministry as they go through the negotiations.

The Chair: That's what I was hoping to do earlier but time is pressing.

Mr Maves: I think we all heard them. I don't have a problem with them. I don't think my colleagues did. We talked about them. Can I move that we accept those

recommendations and have them forwarded to the ministry?

The Chair: Is that agreed? Carried by everybody? Agreed.

Thank you. Meeting adjourned.

The committee adjourned at 1156.

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1999-02-16
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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 16 February 2000

Journal des débats (Hansard)

Mercredi 16 février 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
Family Responsibility Office

Comité permanent des comptes publics

Rapport annuel 1999,
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Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Wednesday 16 February 2000

Mercredi 16 février 2000

*The committee met at 1045 in committee room 1.*1999 ANNUAL REPORT,
PROVINCIAL AUDITOR

FAMILY RESPONSIBILITY OFFICE

The Chair (Mr John Gerretsen): I'd like to call this meeting to order to deal with section 3.01 of the 1999 annual report of the Provincial Auditor, specifically the Family Responsibility Office. I will allow 20 minutes for a presentation by the ministry, and then what I propose to do is go on a 20-minute rotation between the caucuses.

We have scheduled a continuation of this meeting at 1:30 as well, in case we're not finished by 12 o'clock. Hopefully at the end of the day, the committee will have some recommendations to make to the researcher that he can work on over the next little while.

If you would like to identify yourself for the purpose of Hansard, please, and then we look forward to your presentation. Good morning.

Ms Andromache Karakatsanis: Good morning. I'm Andromache Karakatsanis and I'm the Deputy Attorney General. With me this morning is Angela Longo. She had been the assistant deputy minister responsible for the Family Responsibility Office until very recently. She has gone on to take on new challenges, but has agreed to assist me until a permanent replacement is found. Dave Costen, on my left, is the legal director of the Family Responsibility Office.

I appreciate the opportunity to discuss with the committee the auditor's comments on the Family Responsibility Office and the ministry's response. I know all members of the committee share the Family Responsibility Office's goal of getting to Ontario children and families the money which they are entitled to.

The ministry and FRO welcome the auditor's input and advice on how we can better meet the objective of getting parents to meet their responsibilities. We appreciate the auditor's recognition that FRO does a good job of registering cases, processing payments and disbursing funds, once received, and we agree with the auditor that there are opportunities to take more timely and aggressive enforcement actions.

It is important to bear in mind that the auditor's report presents a snapshot of the organization in late 1998 and early 1999. Much has been accomplished since then, although we fully acknowledge there is more to be done.

As background for our discussion today, I would like to sketch the larger context within which FRO operates and outline our progress in meeting those challenges.

The Family Responsibility Office plays an integral role in the family justice system. It enforces court orders for support, as well as support agreements filed with the court. Its mission is to strive to ensure justice for children and spouses by enforcing support obligations aggressively. The payment of support, of course, directly affects the well-being of children. That is why the government has chosen to intercede in this field.

It is important for all of us to recognize that we are dealing with families in crisis and individuals undergoing extremely difficult transitions in their lives. As the Provincial Auditor noted, approximately 1,400 new cases on average are registered with FRO every month. This caseload is the product of marriage and relationship breakdown in our society.

Family support is not an ordinary debt like, for example, a financial transaction between willing parties, in that it is an emotionally charged obligation that the parties often find hard to address in a dispassionate way. Many, if not most, of the cases that come to FRO are the result of unsuccessful attempts to reach agreement on support issues. People are free to make and maintain their own support arrangements, and many do so. Where they can't, the case falls within the ambit of the court system and the formal enforcement system of the Family Responsibility Office. The reality is that in many of the cases FRO handles, a degree of mistrust exists between the parties. In a small minority of cases, this mistrust hardens into a determination to avoid payment, no matter what, creating an extremely difficult societal challenge.

Default on support payments is a problem, of course, that is not unique to Ontario. It is a problem in virtually every jurisdiction in North America. In Ontario, we have built one of the most aggressive support enforcement programs in Canada, and we are constantly making improvements. At FRO, the top priority is enforcement. The goal is to get more money to children and families faster than ever before. Let me respond to the auditor's comments about FRO's enforcement activities by outlining recent progress.

The auditor observed that the amounts collected and disbursed by FRO had increased substantially since his last audit five years earlier. These positive results continue. For the current fiscal year, FRO expects to collect

and disburse about \$532 million. This represents a 45% increase from the amount collected and disbursed five years ago. That's 45% more money in the hands of the women and children who need it. That 45% increase is well beyond FRO's caseload growth, a 27.5% increase over the same period of time.

This trend demonstrates that FRO is succeeding. It tells us very clearly that we're on the right track to getting more money to children and families. Furthermore, despite the increase in caseload, total arrears have not grown over the last two years.

You may be under the impression that arrears of over \$100,000 are commonplace; in fact, arrears of this size are rare. As the auditor reported, only 0.6% of all cases in arrears owed more than \$100,000. The auditor also reported that 60% of payers in arrears owed less than \$5,000. That money is important to the families who need it. I mention these figures only to create a more accurate picture of the scope of the problem.

Part of the difficulty is that delinquent payers often have not had their support orders adjusted when circumstances shift; for instance, if they've lost a job or had a serious illness. Therefore, when the court reviews an order on a motion for change, the arrears may be substantially reduced or even eliminated altogether.

Approximately a quarter of the arrears is owed to recover social assistance benefits paid out because support payments were not made. As the auditor recommended, we have been working more closely with the Ministry of Community and Social Services and municipalities to improve the management of these cases.

I'm pleased to report that we're recovering more of these funds, even though the number of social assistance cases on our books is declining. In this year, we project total social assistance recoveries of \$52 million. That's up 15% from five years ago, despite a 25% drop in cases of this type.

When FRO receives money, the auditor noted, it moves those funds to recipients quickly. The auditor's report observed that FRO had adequate systems in place to ensure proper control over the receipt and disbursement of funds and that most payments were processed within 48 hours. This is still true. Currently, in 95% of the cases families get their money less than 48 hours after payment is received. This response compares with up to 10 days to get payments to recipients under the family support plan in 1995. A major reason for this success is FRO's partnership with the Royal Bank to process payments as they arrive and quickly transfer them to recipients.

In fact, FRO is a leader in e-commerce, offering various electronic payment options to family support payers and employers remitting on their behalf. These options include automatic payroll deduction and pre-authorized payments. Furthermore, 85% of recipients receive their money through direct deposit. The program five years ago offered neither direct deposit, nor electronic payment.

FRO is the first support enforcement program in Canada to use a secure, Internet-based employers' payment system. It's called E-CLIPS, for Electronic Corporate Link to Internet Payment Services. It lets employers transfer support payments from their employees directly to FRO quickly and securely. So far, 191 companies have joined the system since it started up last October, and given the trend towards e-commerce, we expect that number will continue to increase. An official of the Royal Bank, which developed the system, says: "Our goal was to create a secure, user-friendly, Internet-based service. We are happy to say that the service is a complete success."

Not only is money getting to families faster; the rate of compliance with support orders and agreements has increased. This is very good news. On average this fiscal year, 58% of cases have been in full or substantial compliance with the support order or agreement. This compares with 53% five years ago. By "substantial compliance," we mean cases where payers are meeting at least 85% of their ongoing obligations. About one third of all FRO cases are in substantial compliance—that's the 85% minimum—and about one quarter are in full compliance. Our main challenge then is to get the 42% of cases not in full or substantial compliance to meet their responsibilities.

Prior to passage of the Family Responsibility and Support Arrears Enforcement Act, which was proclaimed in stages in 1997 and 1998, few enforcement options were available. To strengthen enforcement, the legislation added a series of tough new tools.

I would like to describe quickly the results that FRO is achieving by taking a range of enforcement actions. Let me first say we can't agree more with the auditor's observation that overdue accounts are more likely to be collected if collection efforts begin early. Too often in the past, FRO acted only when someone complained. Now we monitor cases to take action when money is not flowing on time. It is now FRO's practice to contact the delinquent payer when an account becomes 60 days overdue. Other enforcement steps are taken if this initial contact does not resolve the situation.

One enforcement option is the reporting of support arrears to credit bureaus. Since August 1997, more than 78,800 delinquent payers have been reported. Since financial institutions now view support arrears as a debt that must be paid, delinquent parents will find it harder to obtain loans and credit.

Each month, FRO seizes funds from about 100 bank accounts and sends the money to families owed arrears. This includes funds seized from joint bank accounts, which payers may be using to try and hide assets.

Almost every week FRO intercepts a case or two of lottery winnings over \$1,000. Since July 1998, \$435,000 has been collected for families through this route.

Driver's licence suspension was introduced in the fall of 1997. Since then, more than 12,600 delinquent payers have been notified that their driver's licence will be suspended if they don't meet their support obligations.

As a result, delinquent parents have paid \$28 million in overdue support. If a payer takes no action, they lose their licence. So far, more than 5,200 drivers' licences have been suspended, prompting the payment of a further \$4 million in support, bringing the total to \$32 million collected as a result of the driver's licence suspension process. Of course this will rise as FRO continues to aggressively pursue driver's licence suspension in appropriate cases.

Ontario has recently concluded an agreement with the federal government for the electronic garnishment of income tax refunds, GST refunds, CPP benefits and employment insurance benefits. Since April 1999, electronic federal interceptions have netted \$34.2 million for support arrears.

In late 1998, FRO launched a one-year collection agencies pilot project, an innovative partnership with the private sector to track down delinquent parents who had not paid support for more than three years. Nowhere else in Canada has such an effort been made to collect such old support arrears. In fact, the private sector generally considers debt that old uncollectible.

The professional debt collectors were successful in finding some of the most delinquent support payers in Ontario. In all, \$8.7 million in support has been located for families and children. This consists of funds paid, as well as arrears, where payers agreed to start payments.

Based on the success of this project, we are now expanding the use of collection agencies. In this second phase, private collection firms will collect more recent debt on behalf of families owed support more than six months overdue. At the same time, agencies will continue to target the older cases.

FRO is also bringing delinquent payers before the court for default hearings, which usually lead to court orders to pay all arrears or risk jail. FRO now initiates more than 100 default hearings per week, appearing in court more than 200 times per week, and that compares with the 40 a week that was initiated three years ago. Last week alone, in Toronto, FRO counsel obtained 13 orders committing payers to jail for debts representing a total of \$167,000.

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To stay out of jail, payers are forced to make good on long overdue arrears. For example, a parent recently agreed to pay nearly \$19,000 in overdue child support in order to get out of jail; as a result of a notice of a default hearing, a payer paid off all arrears, worth more than \$10,000; another delinquent parent paid nearly \$11,000 in child support after FRO launched a default hearing; and, after spending two days in jail, and facing another three months behind bars, a payer in arrears paid \$13,600 in overdue child support.

The combined impact of all these various enforcement strategies is that more money than ever is flowing to families with support orders, the compliance rate is up and total arrears have stabilized. We are proud of the significant and important advances that we have made. We know there is more work to be done to get families and children the support money they are entitled to.

Let me turn briefly to the subject of FRO's customer service. This fiscal year the government has invested \$6.4 million in permanent funding to improve service, including the hiring of 96 more front-line staff who deal directly with recipients, payers and employers and conduct enforcement activities.

With FRO's call centre, client service associates personally respond to an average of 2,000 calls a day. They're available for extended evening hours, from 8 am to 7 pm, Monday through Thursday, and 8 am to 5 pm on Friday. That's an increase of 30% in the hours that they're available. We have also installed document scanning and imaging technology so that staff can retrieve and review client information more quickly while the client is on the phone. This system is being upgraded this week.

We understand how important it is for callers to be able to get through to our staff. The average telephone wait time for a client service associate is currently down to less than 10 minutes, compared with 30 minutes in 1997.

In the call centre, an automated line answers up to 18,800 additional calls a day, providing clients with up-to-date information about their cases. It now operates from 8 am to 8:30 pm, five days a week, and it will go to a 24-hour, seven-day-a-week operation later this spring.

With the call centre in place, we are avoiding the backlogs that developed under the old regional offices with their paper-based processes. When those offices were closed, there were more than 90,000 pending financial adjustments and unanswered pieces of correspondence. FRO succeeded in clearing these backlogs entirely by late 1997 and with the call centre there is no accumulating backlog.

It is encouraging that FRO regularly receives letters complimenting the professionalism and helpfulness of staff. Staff at the Family Responsibility Office are dedicated and hard-working. They approach their work with compassion and caring.

I have touched on several of the auditor's specific recommendations and I'd be happy to discuss others during the course of our session today, but I would like to comment briefly on the topic of information technology since it is so crucial to FRO's ability to deliver on its mission.

FRO is one of the most sophisticated users of information technology in the public sector, as illustrated by the emphasis on e-commerce to get payments moving faster. We are committed to making technology work for us and for the families who count on us.

It's been asked why FRO did not replace the computer system instead of making various enhancements and upgrades. The bottom line for the Family Responsibility Office was the need to improve its operations quickly without disrupting service to clients. FRO concluded that an incremental approach would be less risky and more cost-effective. We have now completed an architectural review of MECA and further changes are planned.

The Family Responsibility Office currently has 442 employees and a budget of \$28.6 million. This represents

a substantial commitment of public funds. It seems fair to ask if more of these costs should not be borne by the people who caused the problem, the delinquent payers, instead of by the taxpayers. FRO has begun to move in this direction of making those who caused the problem help pay for the solution. That is why the fees for private collection agencies are paid by defaulting payers, not by recipients and not by the taxpayers.

Despite the solid progress we have achieved, the ministry recognizes that there is more work to be done to collect money on behalf of Ontario families. The Attorney General has made it clear that he is committed towards working for further improvements at the Family Responsibility Office. Staff of the Ministry of the Attorney General are also committed to taking a close look at FRO's processes to meet this commitment to get into the hands of spouses and children the money to which they're entitled.

In closing, I want to come back to my opening comments, that this is a very important program area, one dealing with societal problems where deep social trends come to the surface. There has been significant media attention to this program over a period of years, and this is welcome if it helps the public understand the serious consequences of support default.

I feel that changing public attitudes must be an essential part of the problem. It must become as socially unacceptable not to pay family support as it has become to drink and drive. The commitment to family responsibility is already enshrined in our laws, and all of us must now insist that it be turned into a reality.

I look forward to today's discussion with the committee on how efforts to enforce support obligations can be strengthened. I look forward to answering your questions.

The Chair: Thank you very much for your presentation. We have 51 minutes until the 12 o'clock recess. What I propose to do is have three rounds of 17 minutes. That way, every caucus can get one round in before we resume again at 1:30. I'll start off today with the official opposition and tomorrow with the NDP, and on Friday we'll just keep rotating.

Mr Michael Bryant (St Paul's): Thank you for coming. My first question is for the auditor, if I may.

Mr Peters, you've undertaken a couple of major audits of the Family Responsibility Office. Is that right?

Mr Erik Peters: Over the last period. We did one in 1994 and one in 1999.

Mr Bryant: Ordinarily, when you undertake a major audit of an office or a ministry over a period of a few years, do you generally find there's some improvement between audits; in other words, that improvement is made in accord with the recommendations you've made?

Mr Peters: I don't want to generalize. There are some programs which show significant improvement and others are muddling along, if you will.

Mr Bryant: Which does this office fall into? In between audits, would you say there's been improvement in the office?

Mr Peters: There's been some improvement but not very much.

Mr Bryant: Generally speaking, does this fall into the category of those offices that are muddling through, or does it fall into the category of those that are actually trying to tackle all your recommendations?

Mr Peters: I wouldn't contrast those two necessarily. They were trying to tackle them in the last five years. There have been massive changes in the way they have done business over the last five years. There has been a reorganization from regional offices to a centralized organization. There have been significant staff cutbacks in those five years and are recovering from the other period. So the impact of all of these changes is that not very much progress has been made.

Mr Bryant: Not very much progress has been made.

Mr Peters: That's right.

Mr Bryant: My first question is actually about something that recently came into the media, and that was the discussion by the minister of an opt-in system instead of an opt-out system. Can you tell me what that would entail?

Ms Karakatsanis: Currently under the family responsibility program, all orders that are filed with the court or made by the court are automatically part of the program. In those cases where both parties agree that the support order should not be enforced by the program, they can opt out of the program now. If they're on social assistance, then the ministry or the municipality has to agree as well. They have the opportunity at any time to opt in. So far, 12,000 people have decided to opt out and about three quarters of them have chosen to opt back into the system.

Another approach that other jurisdictions have taken is that only those people who want to be part of the enforcement program opt into the program. That would eliminate the need, for example, for the Family Responsibility Office to be enforcing those orders or to be dealing with those orders which are in full compliance.

Mr Bryant: Is that opt-in program as opposed to the opt-out program planned for the FRO in the future?

Ms Karakatsanis: It's certainly something we are seriously considering. We are open to any new ideas that will allow us to use our resources more effectively on those cases that need it and that will result in getting more money to the families that are entitled to it.

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Mr Bryant: Given the number of people involved, I would anticipate that if you went with an opt-in program, necessarily your caseload would decline. Is that right?

Ms Karakatsanis: If that 24% of the cases which are in full compliance chose not to opt into the system, that would certainly be a decline. We are doing the analysis, but my expectation is that the caseload would be smaller.

Mr Bryant: I don't think every member of the public understands the difference between the opt-in and the opt-out programs. In all likelihood, you'd have to agree, that particular approach is going to be that some people

are not going to get the benefit of the legislative and political commitment made by this government to enforce outstanding custodial payments. Some people will be left out because they don't know they have to opt in.

Ms Karakatsanis: As I said, this is one option that we are seriously considering. We are doing the full analysis. We are prepared to move on those options which would have the result of getting more money flowing. If that was something that would have that result, we would certainly seriously consider it. As any changes are implemented with the Family Responsibility Office, we need to take care that there is continuity of service, that those changes are well communicated and that people understand their obligations and their responsibilities.

Mr Bryant: I'm going to get off this point after I get an answer. I understand that part of the goal is to have money flowing, but presumably the goal is also to have enforcement. If as a result of the opt-in program people are left out—you would agree that is inevitably going to happen if you go into an opt-in program. Some people are going to be left out because they don't know that they have to opt in.

Ms Karakatsanis: We would certainly review the potential of that happening and review ways in which we can ensure that whatever improvements are made to the program would be done in such a way that those who need the program would be able to benefit from it. We haven't completed the analysis. We'd certainly be very mindful of the need not only to enforce the support payments to get the money flowing but to ensure that everyone who needed it was able to benefit from the program. Those would be our guiding objectives.

Mr Bryant: I'll note for the record I didn't get a "No" there, but fair enough. Let's move on to enforcement.

In response to the auditor's recommendations, the ministry responded that there was a strategy being undertaken by the office to, among other things, call payers who are chronically in arrears, target specific cases for more enforcement etc. I'd just like to go through a couple of them. Are you saying that the Family Responsibility Office has not been, to date, calling payers who are chronically in arrears?

Ms Karakatsanis: I think too often in the past the Family Responsibility Office relied on recipients who provided information to trigger some of the enforcement activities. That is something that we recognized needed to be fixed and improved. We have moved towards monitoring cases and, as I mentioned earlier, when payments are 60 days overdue, it is now the policy to contact the payers directly.

Mr Bryant: And that's a new phenomenon?

Ms Karakatsanis: Yes, that is a new initiative.

Mr Bryant: With respect to targeting specific cases for more aggressive enforcement, can you explain to the committee: What does more aggressive enforcement entail?

Ms Karakatsanis: There are a series of enforcement efforts, and it's usually the practice to be progressively

more aggressive in those enforcement actions. Obviously the support deduction order, which is registering the order with the employer to get the funds flowing automatically, is the first and immediate step that's taken; then the lottery winnings, which has been surprisingly successful in collecting as much as it has over the last little while; federal garnishment is something that is done relatively routinely and has brought in quite a significant amount of money—\$34.2 million; garnishment of bank accounts; reporting to the credit bureau; driver's licence suspensions; and then taking the delinquent payer to court to risk jail if they don't pay is probably the most aggressive enforcement action. That just gives you a sense of the progression.

Mr Bryant: You've had those tools and presumably had been utilizing those tools prior to the auditor's report.

Ms Karakatsanis: We are now seeing the results of some of the tools we were implementing while the auditor was there, and some has been stepped-up enforcement. There's no question, for example, on the default hearings, where we have the ability to take a delinquent payer to court. We used to initiate 40 per week. We now initiate 100 per week. That was an existing enforcement tool which we are now using more aggressively. A number of the tools are new. The driver's licence suspension was September 1997, and as that program has become—results are starting to show. They were not all evident at the time of the auditor's report: garnishment of bank accounts, June 1998; seizure of personal property, June 1998; lottery winnings interception, June 1998; default hearings that can involve third parties, June 1998. So we're starting to reap the benefits of many of the new tools now. That is why the arrears have stabilized and that is why more money is flowing to families and children than was flowing before. It's a 45% increase over the last five years. That is tangible evidence of more money flowing and the success of the enforcement steps that we've taken.

Mr Bryant: What I'm getting at then is, I guess the answer is that no new enforcement techniques are being used but the enforcement techniques are now being used more often. That's the response to the auditor's recommendation with respect to enforcement. So it's a difference in kind, not in form.

Ms Karakatsanis: It's both. We're using the existing tools more aggressively, and there are a number of new tools which were just in their infancy at the time that the auditor was there which are now beginning to show some significance, some results. There's more money flowing to the families who rely on the support orders.

Mr Bryant: I also want to understand, in terms of the caseload, how that is going to happen. Right now, approximately what's the caseload per client associate representative, about?

Ms Karakatsanis: It's about 500 cases per client service associate. That client service associate is backed up by a team including the legal and financial officers to assist in the enforcement of effort.

Mr Bryant: If 500 right now is the caseload, what will be the caseload next month? How many new cases do you get every month?

Ms Karakatsanis: We get 1,400 new cases every month. I have to say that we're always looking for more effective ways to use our resources, and that's why the partnership with the private collection agencies is a really good example of us being able to step up some really aggressive enforcement activity at no additional cost to the taxpayer—at little additional cost, the cost being borne by the delinquent payers. So we are always looking for ways to use our resources more effectively.

Technology is assisting. We are making enhancements to our technology that will allow client service associates to have the information they need on the case file. As the call is being made, they won't need to take the time to retrieve it, and they'll be able to answer the questions and provide the information quicker. The document scanning and imaging allow access to the documents while on the phone rather than having to resort to paper files. That makes the information available immediately. So we are constantly improving the efficiency and looking at a more cost-effective way of using resources and innovative partnerships to bring in the private sector and let the delinquent payers pay part of the cost of enforcement.

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Mr Bryant: But if you accept that 500 cases per client associate representative is acceptable, and I presume you do because that's what it is right now, in order to keep up with this additional caseload of, I think you said 1,400 a month, just mathematically I'm not wrong to say that you need to hire about four people every month to keep up with that caseload. Is that right?

Ms Karakatsanis: I'll answer your question by saying that there are ways of using the resource that you have more efficiently in increasing productivity. We've demonstrated that we've been able to do that and we hope to continue to do that. As we are more aggressive with the enforcement measures early on, and as compliance rates go up, there will be less need to deal with some of the recurring issues that we are dealing with today. So the efficiency of the program should be able to deal with the increased caseloads, although it's obviously something that we constantly monitor.

Mr Bryant: Sure, but I've got my math right, do I not? If you are going to keep up with 500 per month, you would have to hire four more, and you're saying we can't do that.

Ms Karakatsanis: I'm saying that a caseload of 500 per client service associate is an appropriate standard and it's one we will monitor to ensure that it stays.

Mr Bryant: But it's going to go up.

Ms Karakatsanis: It won't necessarily go up.

Mr Bryant: If there are 1,400 new cases coming in, mathematically how does it not go up? Where do they go?

Ms Karakatsanis: The 1,400 new cases are all of the cases. For those cases where money is flowing and there are no arrears, that will not add a load to the caseload of

those who are involved in enforcement. Where the orders are registered, where the money is flowing, that will not represent an added enforcement need for the client service associate. So my answer to you is, no, you can't do a straight mathematical formula the way you've done it, to say that you need to have X more people. The answer lies in looking at the total effectiveness of the program. As those 1,400 new cases come in, as we tackled defaults earlier and as they stay in compliance, then there will be less need to take those aggressive enforcement actions on many of those new cases coming in.

Mr Bryant: You haven't disagreed with my math, nor have you said that you're going to hire four new people a month to keep up with the caseload. There are no plans to hire four new people a month to keep up with the caseload, are there?

Ms Karakatsanis: We have recently hired 96 more enforcement officers.

Mr Bryant: Terrific.

Ms Karakatsanis: As I indicated to you, we have performance standards and we continue to monitor them and we'll be looking for new ideas and new processes by which we can improve the efficiency of the program. And ultimately our measure is, is there more money flowing to families, are we doing a better job of getting the money that families are entitled to?

It's sad that some parents won't respect their responsibilities. They won't pay. But our objective is to get more money flowing and we will constantly be looking at the most effective way to do that.

So you won't hire four new people per month, but you will provide new efficiencies. You've been at this for a few years now, more than a few years. I mean, the FRO has been at the job of cracking down for more than a few years. Presumably, those efficiencies have developed over the years. If you're not bringing in more new people, how exactly are these people, through these streamlining efforts, actually going to do a better job at enforcement? Exactly how would they do that?

Ms Karakatsanis: We haven't stopped thinking about innovative ways of being more cost-effective. In fact, we're looking at ways in which we can improve our services. You mentioned the opt-in as opposed to the opt-out. That is certainly one of the options that we are looking at. I want to emphasize that we continue to look at new ways of delivering more effective services and new ways of ensuring that the cost of some of this enforcement activity is borne by the payer.

Mr Bryant: I understand, but you didn't detail—could you just tell me how you're going to streamline?

Ms Karakatsanis: The expanded use of collection agencies is a good example. We're building on the successes of the private sector collection agencies in recovering old debt. We are expanding that. They will be looking at all cases where there are arrears of six months, and the costs of that expanded program will be borne by the payer. That will result in more enforcement and more money flowing at no additional cost to the taxpayer.

Ms Shelley Martel (Nickel Belt): Thank you for coming today. Let me just follow up on this opt-in, opt-out. How many people have opted out of the FRO since you allowed that to happen?

Ms Karakatsanis: Let me get the exact number. I believe 12,000 was the number. Yes, it's 5% to 10%. It's been 12,000 in the past three years.

Ms Martel: How many people have opted back in?

Ms Karakatsanis: About two thirds of them have opted back in.

Ms Martel: If I look at that, I would say this has not been a raving success, and probably what we see is that people have all kinds of concerns about enforcement, so they get back into the system as fast as they can when they find out they can't get a payment. That's what two thirds of the people opting back in would suggest to me. Would that be your view?

Ms Karakatsanis: Obviously they think they can get the benefit of the program, so one of the two parties has opted back in.

Ms Martel: So what sense does it make at all for your minister or you to even consider having a program where people have to opt in?

Ms Karakatsanis: The experience of many of the other jurisdictions is an opt-in program and it's certainly one that we want to take a close look at. For those 24% of the cases that are in full compliance, we have resources, staff time at the Family Responsibility Office essentially shuffling money from one willing payer to the recipient. I think there is an opportunity to look at whether there is a more effective way to use the resources there.

As I mentioned, it's something we're looking at carefully. Our objectives and our guiding light in making any decisions around changes to the Family Responsibility Office are to make sure that the families who need the money get the money and that those who need the enforcement efforts of the Family Responsibility Office get them.

Ms Martel: But you don't have to look to other jurisdictions to see how this works, you just have to look to Ontario's experience. You allowed people to opt out and 12,000 did. In a three-year period two thirds opted back in. So I would say you don't have to look anywhere else, you just have to look at what's happening in Ontario. Most people, for whatever reason, prefer to know that they can get some enforcement if they need it. If you want to put in a system that would actually force people to opt in, if they don't know that they have to do that—and I can imagine the thousands of people who wouldn't—what you're going to have is a whole bunch of people who have no protection whatsoever in terms of ever getting money or getting all the money they are owed. Correct?

Ms Karakatsanis: Any decisions the government takes to change the Family Responsibility Office will be guided by the need to get as much support payment out to families as we can and to ensure that those who need the enforcement benefit of the program will receive it.

The analysis is not complete. We are certainly being rigorous in our analysis and we will make the decisions that meet those needs.

Ms Martel: Let me ask you about user fees. I heard you clearly say that the user fees would only be paid for by delinquent payers, is that correct?

Ms Karakatsanis: No, I'm sorry. That was in the private collection agencies enforcement program, where it is paid by the payer. We are proposing to bring in administrative fees later this spring. That will encourage support payers to maintain payment, and they will address the cost of those services that are outside its central mandate to enforce orders. They will be borne primarily by the payer.

There is one fee that may be borne as well by the recipient, and that is the statement of account, where we are proposing a \$25 fee for a formal statement of account under the director's signature. The recipient will have available 24 hours a day, seven days a week, on the automated voice system up-to-date information about payments made and the status of the case.

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Ms Martel: Let me stop you right there. I work with the automated line, and the automated line only gives you information about the most recent or last transaction. It doesn't give you a listing of all the transactions that occurred in that account. That is what a schedule A provides. There is a huge difference between the information you get on the automated line at night about the most recent transaction and a schedule which will give you all of the transactions that occurred.

We in our office usually ask for two or three schedules every week for recipients and payers. In the case of payers, for example, it's for people who have to show Revenue Canada how much money they would have paid out last year in support payments. So I want to ask you, how many schedules are requested weekly at the FRO by recipients or payers?

Ms Karakatsanis: I don't know the answer to that. I can find out and provide that information to you.

Ms Martel: I would like to know how many are requested a week.

The second thing I'd like to know is how many payers use postdated cheques now to pay their support payments?

Ms Karakatsanis: I know we used to process 10,000.

Mr David Costen: My name is David Costen. I'm the legal director of the Family Responsibility Office. In the summer of 1999 we were somewhere around 10,000 cheques per month. We've been taking steps to try to work with the clients to get this down and that number has been diminishing. We anticipate that with the user fees there will only be about 500 people using postdated cheques. This creates a lot of administrative paperwork within the organization, resources that would be better used for other types of enforcement.

The Chair: Just so I understand, you're saying there were 10,000 postdated cheques in your office at some time?

Mr Costen: In the summer of 1999.

Ms Martel: So 10,000 payers paying by postdated cheques, is that what it was?

Mr Costen: Ten thousand cheques. You realize that there may well be—

Ms Martel: I want to know how many payers are paying by postdated cheque.

Mr Costen: I don't have that.

Ms Martel: One of the new fees you have is for payers who are making their payments, doing what they're supposed to, and you're going to charge them \$35 if they want to continue using postdated cheques as the method of payment, is that correct?

Ms Karakatsanis: Yes, it is. One way to get money to families faster is to encourage support payers and their employers to use several faster, cost-effective, more dependable collection electronic payment options.

Ms Martel: Except that a payer can give you 12 postdated cheques for every month and all you have to do at the office is get those postdated cheques out the door when you're supposed to. You already are holding them in your hand.

Ms Karakatsanis: If I can complete my answer, please. One way to get money faster is to encourage support payers and their employers to use electronic means of remitting their payments. There are very dependable electronic payment options available, including pre-authorized payments which would have the same effect as postdated cheques, telebanking, payroll deduction and the new Internet payment service for employers. We are offering options for electronic payment that were not available before. Most of that will be to ensure that our resources are focused on enforcing those cases where money is not flowing.

Ms Martel: I'll bet you most of those cases are probably self-employed individuals, so it's not the same as sending an employer a notice of deduction and getting it taken off their cheque. They would be self-employed. So the method they use to pay is by postdated cheque, because there isn't an employer.

Ms Karakatsanis: It's like paying your Hydro bill. You authorize the payment from your bank.

Ms Martel: But we've got people who are paying; these are not delinquent parents. You're going to charge people who are doing what they're supposed to be doing \$35 to do that. I don't understand that. These are not delinquent payers. Depending on how many people that actually involves, which you're going to get back to us on, that could be a fairly substantial sum of money that you're getting as a user fee for people who are doing what they're supposed to be doing.

Ms Karakatsanis: There are other very easy alternatives to postdated cheques, ones that are just as easy as postdated cheques. It will reduce the administrative cost of handling postdated cheques, it will result in money being paid faster, and allow the staff resources to be focused where the enforcement is needed. It's the cost of doing business.

Ms Martel: Are you going to be hiring new staff to collect these fees?

Ms Karakatsanis: No.

Ms Martel: You're still going to have staff who are now going to have the added work of trying to process these fees. Can you tell us how you're going to collect these fees, either from payers who are using postdated cheques or from payers and recipients who are requesting schedule As? How are those fees going to be collected?

Ms Karakatsanis: The fees are designed to encourage the payers to meet their obligations.

Ms Martel: They are.

Ms Karakatsanis: The fees are designed to encourage behaviour that helps to ensure more money is flowing. For example, there will be a fee to adjust FRO accounts for direct support payments received by the recipients. The legislation currently requires that where a support order is registered with the program, the payments be made directly to the program. When they're not, the records become inaccurate and sometimes inappropriate enforcement actions are taken and resources are wasted. The fee that will be payable to make adjustments for direct support payments will encourage the proper use of the program and will reduce the inaccuracy of the number of arrears noted on that file that might result in inappropriate enforcement actions. That will be a benefit to the program.

Ms Martel: Isn't it true that some of the people who make payments directly to their spouse without going through the plan do so because the file hasn't been registered and activated with the FRO yet? In some cases in our office we've seen it take up to three months before the file gets registered. That recipient has no money during that point of time, so the payer makes a payment directly to her and the kids while the file is being registered so that she has money. I don't consider that to be an abuse of payment. I don't consider that to be a problem. I consider that to be a payer trying to get some money to a recipient and kids in the time that the file is being registered, and that happens a lot. We've seen that in our office a lot.

Ms Karakatsanis: The fee would not apply to cases that were in the process of being registered.

Ms Martel: In what cases do they apply then? That is a case where a payment is made outside of the plan directly to the recipient and would require an adjustment when the money comes in.

Ms Karakatsanis: Once the case is registered and money is flowing to recipients, from time to time payers make direct payments to the recipients. In those cases, arrears start to show on the books—arrears which do not exist—and sometimes inappropriate action is taken. It's those cases which will have to pay the fee for the direct payment. It is not intended to apply where payment is being made while the case is being registered and the support deduction orders are being registered and the money starts to flow.

Ms Martel: In cases where a payer or a recipient requests a schedule A, so they get a full statement of the

account, how are you going to make them pay a fee? How is that going to be implemented?

Mr Costen: Presently, there is a team working on all the intricacies of that. That will be ready to go in April. You can imagine that in making adjustments to our technology and our financial processes, that has not yet been completed but will be ready to go in the spring.

Ms Martel: So you'll have no new staff to collect fees? That's for sure?

Ms Karakatsanis: We don't anticipate a need for new staff.

Ms Martel: How much money do you anticipate you are going to collect through these new user fees?

Ms Karakatsanis: I think it is up to \$1.3 million.

Ms Martel: Can you table with the committee a breakdown of how much you anticipate you will collect in each category: (1) with the \$35 fee for people who want to use postdated cheques, and (2) the amount for schedule As and the other items where you now have those user fees? Could you table that with the committee, category by category?

Ms Karakatsanis: I'm going to have to get back to you about the precise breakdown.

Ms Martel: One final question on that: Do you have any legislative mandate which would bar someone from paying by postdated cheque?

Ms Karakatsanis: No, there's no legislative mandate that would bar it. Many companies are no longer accepting postdated cheques, and when postdated cheques are accepted, there is a fee associated with the administration cost. That's the cost of doing business.

Ms Martel: I wouldn't call the FRO a company. That's not how I look at it in terms of your responsibilities.

Ms Karakatsanis: No, but the Family Responsibility Office is offering many other just as simple, more efficient ways for payers and employers to make their payments. We're a pioneer in the E-CLIPS program, which I mentioned in my opening remarks, which allows employers to electronically transfer payments. The fees apply only for those who want to continue to provide postdated cheques. There are other easy alternatives that are being used. Electronic payments, telebanking and pre-authorized payments are just as simple, just as reliable and are faster.

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Ms Martel: I understand that. I'm saying that we have people who are doing what they're supposed to and I don't think they should be charged a fee, which is basically a penalty or fine, for doing what they are supposed to be doing, which is to make sure payments are going to spouses and children. I think that's ridiculous.

The Chair: Can I just ask for a quick clarification? Is that \$35 per year or per cheque?

Ms Karakatsanis: Per cheque.

The Chair: Thank you.

Ms Martel: So we should say 10,000 cheques times 35: \$350,000.

Ms Karakatsanis: No. I think that number has been reduced since the summer.

Ms Martel: OK. Maybe you should get us the number of cheques that we're talking about and the number of payers, so we can make some calculations about the fees.

Let me ask you about the private collection agencies and this latest pilot. The auditor reported that in the six months he looked at the private collection agencies program, only \$1 million was collected. We know that by the end of the pilot, if the minister is correct, over \$8 million was actually collected. This is a bit at odds with what a ministry spokesperson announced in October: about \$4 million actually collected out of \$450 million. So I would like to know who is correct? Is it the ministry spokesman, Mr Crawley, who told the Toronto Star that it was actually about \$4 million, or less than 1%, or is it you today or the minister, who now says that about \$8 million was actually collected?

Ms Karakatsanis: The numbers continue to grow as the program develops.

Ms Martel: My understanding was that the private collection agency pilot project was over and the files were returned to the FRO about the end of October. Is that correct?

Ms Karakatsanis: Yes. The files were returned and, as part of that project, FRO staff are now going to through the files, following up on any new information and determining what further enforcement steps are needed. The private sector turned over the files in October, but the pilot project is continuing in the sense that FRO is continuing to review and act on those files. I can give you the current—

Ms Martel: OK. Then before you keep going, I want to know how much of the money that came in was as a result of work done by the private collection agencies and how much of the money coming in is as a result of FRO staff now handling those cases?

The Chair: That is the last question.

Ms Karakatsanis: I'll give you the numbers I have, which reflect the current status of the money that has come in as a result of the collection agency pilot project: \$5.4 million has been collected directly for families that have not received money. An additional \$1.6 million will be collected as a result of payers entering into voluntary arrangements for payments. A further \$1.7 million was collected through federal government garnishments on information provided. That totals \$8.7 million that was located as a result of that pilot project. I don't have the different numbers at different stages of the project. This is the current amount of money that has flowed as a result of the collection agency pilot project.

Ms Martel: Just on that, can you table with the committee, then, the amount of money that was actually collected directly as a result of work done by the collection agencies and the amount of money that has subsequently been collected as those files have returned to FRO staff and FRO staff has actually done the work? There's a world of difference, and I suspect the \$8.7 mil-

lion is not really an honest or legitimate number to associate with the private collection agencies.

The Chair: Your time is up, Ms Martel. Mr Hastings was first and then Mr Martiniuk.

Mr Gerry Martiniuk (Cambridge): I'll be sharing my time with my fellow caucus members, Mr Chair.

Thank you, deputy, for your presentation. I was particularly pleased that you did discuss the education of the public. As a lawyer and a member of the public, I have found that many consider a default in child payments to be a business transaction or a business debt rather than a moral and social obligation of a parent. I think there is a distinction we must make clear to the public.

My question is in two parts. May I say that our cases in my constituency office have fallen substantially. I don't know whether that has happened across the province. A couple of years ago, we had a great rush of cases, which has now declined. At last count I think we have—I spoke to my constituency assistant—approximately 10 cases that we are administering, and I'm pleased to report that they're all going smoothly. So I congratulate you in that regard.

My questions are in regard to communication with the public. I would like to know, firstly, what plans the ministry has in regard to extending—I know you've mentioned there's going to be a minor extension, but I live in a riding, for instance, where there are many shift workers who may not be able to get to the phone at 5 o'clock or even 8 o'clock. I would like to know the plans, and the exact time frames if you have them, as to the automatic line being extended to a 24-hour basis and perhaps seven days a week. In dealing with that, you could also deal with the matter of security and privacy. I would be pleased to hear about that.

Secondly, as a novice on the Internet—I opened my first commercial banking account the other day—I would like to know what plans the ministry has, and the implementation dates, as to a Web site where, for instance, individuals might acquire information including a schedule of all payments and things of that kind.

Ms Karakatsanis: The automated voice line will be moving to 24 hours, seven days a week, later this spring. I don't have an exact date for you, but it will be this spring. We're on track to do that.

The automated voice system does have security features. You have to enter your name and case number, and they have to match. The Web site is something we don't have any plans for at this time. Security and privacy are important considerations for us, of course, and we would have to fully address those in any plans in that direction.

Mr Martiniuk: When I chaired the justice committee and we heard the bills and the additional tools, I was under the impression, and perhaps mistakenly—I know the difficulties in collecting from the self-employed. As a lawyer, I lived with those difficulties with clients. The licence suspension seemed to me at that time to be almost a panacea.

I recall one witness before our committee was the former wife of a lawyer, with three children, a very intelligent person who at that time had received absolutely no payments from her spouse, who had carefully engineered his affairs so that he was judgment-proof. As she related, he drove a Mercedes which was not in his name, he did not do legal aid any longer because that amount could be garnisheered, and he lived in a rather substantial house with a female person whose name the house was in.

We passed that a couple of years ago and there have only been 5,000 suspensions, which to me seems a relatively small number when we look at the total number of persons in arrears, which now exceeds approximately \$80,000. If we take the substantial arrears at 58%, we're talking about 80,000 people in arrears. I would like for you to go through and—

The Chair: You meant 80,000 cases. You said \$80,000.

Mr Martiniuk: Cases, sorry. Thank you, Mr Chair. I would like you to go through, first, the time frame and the steps taken for the suspension of these licences. I'd like you to also comment on whether it's working and whether or not 5,000 is low or high, considering the length of time the law has been in force.

Ms Karakatsanis: The driver's licence suspension program has brought in a total of \$32 million; 12,600 notices have been sent, and that resulted in \$28 million, so there wasn't a need to move to the next step and suspend the licence. The notice itself was sufficient to bring in \$28 million. Our objective is not to suspend the licences of delinquent payers; it's to get them to pay their child support. So the notice is sufficient in those cases to bring in the \$28 million.

1150

When someone receives the notice of licence suspension, they have 30 days and they can do one of three things. They can pay up, they can enter into an arrangement to pay up and they can go to court to get a restraining order, which would stop the Family Responsibility Office from suspending the licence while they go to court to ask for an adjustment of the order in arrears. That is a court process they are entitled to take and sometimes do take.

When I say that 12,600 notices resulted in \$28 million, that means it wasn't necessary to suspend licences. A further 5,200 licences were suspended and, as a result of that suspension, another \$4 million came in. I like to look at the whole number, including the notices because, as I said, the objective is not to suspend licences but rather to use that as a tool to get the money flowing. Of course it works best when people need their licences and it's something we're certainly looking at, how we can increase the number of notices we issue in appropriate cases.

The Chair: Mrs Munro and Mr Hastings have questions.

Mrs Julia Munro (York North): A couple of quick questions. I wanted to come back to an issue that had

arisen earlier in our discussion just to clarify for the record this question of the opting in and out circumstance. It was my understanding that a recipient who fails to receive money as a result of the original court decision would virtually automatically have the right to step back into the program. Is that not true?

Ms Karakatsanis: Yes, it is true. They have the right to opt back into the program.

Mrs Munro: There seemed to be some confusion about that issue.

Another question I have is that you clearly made reference in your opening remarks to the hiring of new people. It seemed to me that—quick math—this would certainly be consistent with the kind of information you provided us with earlier in terms of the increase in the number of people who need the services of the Family Responsibility Office, but I wonder if you've got any statistics that would give us a picture of the obligations of individuals coming to an end in this program. When people pay through the Family Responsibility Office, is there not a natural end of their financial obligations?

Ms Karakatsanis: Yes. It depends on what the order says. Sometimes the order is dependent upon certain facts happening. In the case of child support, it may terminate upon the child reaching a certain age or leaving school or whatever the order on its face says. We look to the order to determine whether the support payment is to be terminated.

Mrs Munro: Do you have any information that would give us a sense of some kind of data in terms of numbers, a percentage or things like that?

Ms Karakatsanis: Yes.

Mrs Munro: If we know how many are coming in, do we have any idea of how many, through attrition or natural causes, if you like, according to those court orders, come to an end?

Mr Costen: I think what happens is, the 1,400 we talked about coming in, cases are closed out naturally as the order ends. It may well be that the order says the order is to terminate on February 16, 2000, and then that would be the end of it. As the age of the files progresses, those files will drop off.

There are those files where it's dependent upon the actual order itself. It will say, "As long as the person is in school, things will terminate," or it may well be that the parties agree themselves that the order has terminated. That's the only time when FRO can actually do it, but cases drop off that way. Cases also drop off through the collection agency project, which allows us to close out certain files. Although people drop in, you still have a net of 4,000 people dropping out, which allows you to redirect your enforcement towards other files.

Mrs Munro: My final question: Certainly in my office—I think others have made reference to the kind of familiarity we have through our constituency offices with this program—it seemed to me that one of the most difficult personal issues that people had was in the areas where the payer was self-employed. I wondered whether or not you could give us a sense of what actions have

been taken to rectify that situation? I had the experience of very difficult circumstances people found themselves in where the individual was self-employed.

Ms Karakatsanis: A number of the enforcement mechanism tools apply to those who are self-employed as well. The lottery, the federal garnishments, the seizing and selling of assets, garnishment of bank accounts, credit bureau, driver's licence suspension, passport suspension, and of course the ultimate default hearing, taking the person to court, those are all enforcement tools that do apply to self-employed. We heard before that sometimes a parent is determined not to meet their obligations and sometimes it is very difficult to recover money. That's a sad thing. It's sad that parents don't recognize their respect for the law and don't recognize their responsibilities. I have to concede that it is very difficult to get money in cases where someone deliberately chooses to make that very difficult.

The Chair: Mr Hastings, you have two minutes and a half for now.

Mr John Hastings (Etobicoke North): And then later—

The Chair: Then we recess until 1:30.

Mr Hastings: My first question would be related to where we're going. You have reported some significant progress in terms of collection, but when I look at your mission statement and I look at the auditor's report of the growth of unenforced payments from \$700 million to \$1.2 billion—if that's not correct—I heard you say something about an improvement there. If that's not the right figure, then I would like to know where FRO is going to be in three to five years if we're still doing the same stuff even with all your enforcement tools, so called. Are you going to have this down to half a billion? Will it be \$1.5 billion, given the number of self-employed, the rising number of dysfunctional families and so on? I don't see anything in your stuff that says—unless there are internal documents—in 2003 the number will be whatever it will be that's been collected versus not collected. I don't see anything there, and that's disturbing to me.

Ms Karakatsanis: Going back to the end of fiscal year 1994-95, the arrears were \$831,000. The current arrears are \$1.2 billion. That represents an increase, but it has been stable over the last two years. The amount of money flowing in to families has increased by 45%, although the caseload has gone up 27%. That shows we're making progress and making gains on the amount of money that's going, and that's why you've seen the arrears stabilize. As to the results of some of these new tools, as that matures, we would hope to see those arrears go down. I don't have—

Mr Hastings: Do you actually have figures for that?

Ms Karakatsanis: We don't have specific estimates at this point, but it's certainly something that we predict will start to come down. As we get better at monitoring cases and enforcing earlier, then that should result in reduction of the arrears.

The Chair: You said \$831,000. You meant million.

Ms Karakatsanis: Million. I'm sorry.

Mr Hastings: Wouldn't it be better as a management information tool to have some specific estimates by a category so you could measure your progress instead of hoping?

Ms Karakatsanis: We are looking at the results as they come in. We have specific performance indicators, and they are monitored constantly and used by the program. As we see the trends in enforcement and the trends in increasing money coming in, we will certainly do our best to set targets for that area as well and determine the numbers we think are achievable and would be a good goal.

The Chair: The time is up, Mr Hastings. Before we recess until this afternoon, I've had a request for a copy of your opening statement. Could that be made available?

Ms Karakatsanis: I've made quite a few changes from the text I had before me. We would have to incorporate those changes and I could make it available later.

The Chair: OK. You've talked about certain responses. Any idea as to when the committee can get those back?

Ms Karakatsanis: We'll do our best to get them to you as quickly as possible. Perhaps later on today I can give you a specific commitment.

The Chair: Thank you very much. We're recessed until 1:30 this afternoon.

The committee recessed from 1201 to 1334.

The Chair: I'd like to call the meeting to order. We'll continue now with the rotation of approximately 20 minutes for each caucus. We're at the Liberal caucus.

Mr Richard Patten (Ottawa Centre): Welcome back. I'm sorry I missed part of your presentation this morning, so you may have dealt with part of this. I was snowed in a little bit in Ottawa; the plane was late.

I'm trying to get at the big picture, and if I'm short of some figures maybe you could help me a little bit. In 1995, the decision was made to centralize the files of the program through computerization, electronic communications, all that sort of thing, and the word was that this was going to be more efficient. I won't get into the gory details of what happened but we saw that there were big problems in dealing with many, many cases. As was already pointed out by Mr Martiniuk, there has been a reduction of the frenzied period, for sure. However, I must tell you we still have a number of cases on a weekly basis. There was an assignment of a liaison for MPPs' offices to deal with that, and that worked for a while. I'll tell you we still have problems with that at our office. When they call now it's taking days before anyone gets back to us, and as you are probably aware, the people who tend to use the MPPs' offices are really the ones who are pretty desperate. So I would point that out to you.

You had 340 staff in 1994-95, and your arrears were about \$1.2 billion, was it, in that neighbourhood? Or was it higher than that?

Ms Karakatsanis: It was \$831 million.

Mr Patten: OK, I'm sorry. Then in May 1999, you said it was at \$1.2?

Ms Karakatsanis: Yes.

Mr Patten: What was it as of the end of the year? Do you have any more up-to-date information? As of December 31 or January or whatever?

Ms Karakatsanis: As of December 31, it was actually \$1.227 million.

Mr Patten: At the end of the fiscal year, the calendar year, I'm sorry.

Ms Karakatsanis: At the end of 1999.

Mr Patten: Are you able to tabulate that on a—

The Chair: Excuse me, you said "million." you meant "billion," didn't you?

Ms Karakatsanis: Yes, \$1.2 billion.

The Chair: I just wanted to make sure.

Mr Patten: We were just about ready to applaud.

OK, so you're saying it has remained constant, although the staff is now back to—you mentioned a figure of 428?

Ms Karakatsanis: It's 442, I believe.

Mr Patten: OK. So if we look at the big picture, ostensibly the rationale for all this was to be more efficient. There was a cut in staff originally, which I gather was soon rectified because it was too much of a cut and you had to have more staff help—and you got it—because of the crisis that was pending.

What I'm trying to look at is, four years ago you had a situation and there was an attempt to be more efficient. We're now at another stage, there's more staff, the arrears are actually up, the cases are growing and what has really happened, other than a hell of a lot of heart-ache for a lot of people who through the requirements of reorganizing—and I noted you kind of implied that the regional system, and maybe electronically, was not as good, but I have to tell you that the regional system before was a hell of a lot more sensitive to people. I'm sure you've experienced this on a personal basis, and all the members do, but automated, voice-activated communication in sensitive situations like this, in my opinion, is inhuman. You may catch 80% of the cases, maybe even 90%, but for those individuals where you've got mom there with kids and she hasn't got her payments and she can't get through or she's been told something else—or the flip side is that the spouse who is making the payments gets nailed through collection agencies for not having made payments when in fact they have—and I have a number of cases that I could cite to you where someone was actually finished with the program and was contacted by a collection agency. My whole point is, are we further ahead today than when we started this back four years ago? It seems to me in terms of the big picture we're not.

1340

Ms Karakatsanis: We are further ahead.

Mr Patten: How would you describe that and how would you measure it?

Ms Karakatsanis: I'll tell you. First of all, we are getting more money. We are collecting and disbursing

more money. In 1995 we collected and recovered \$360 million. This year we're collecting \$532 million. That's an increase of 45%, and that's well ahead of the increase in caseload of 27% over the same period.

Today we respond to an average of 2,000 calls a day, and that's to live people, that is to the client service associate. The 18,000 people who reach the automated voice system are in addition to the 2,000 calls per day who speak to the client service associate, and the automated voice system is there just for updates and information; it's a choice that the caller has. The 2,000 people are getting through today and that's an improvement over the number of people who were able to access under the old system.

The payments are faster. Once the program received the payments, it used to take up to 10 days to get it out. Now, in 95% of the cases the payments are made within 48 hours of the Family Responsibility Office receiving them. The compliance rates are up, and this is perhaps the most important. It used to be, in 1995, the compliance rate was 53%. That means that 53% of the cases were in full or substantial compliance. Today it's 58%, and that's a significant increase.

That's just looking at the big picture, but the facts demonstrate that there have been tangible improvements, and the amount of money that's going gets going faster than ever before. So that is the big picture. The performance indicators demonstrate the improvement in service, the improvement in getting the money that families and children are entitled to.

You asked about MPPs. There are two staff assigned to answer the inquiries of MPPs—one is a client service manager—and they are instructed to respond as quickly as possible. That is something we strive for and we hope to continue to improve.

Mr Patten: It slipped a little bit. It was better for a while, I will tell you, from my office's experience.

Ms Karakatsanis: Yes, and in fact the Ombudsman notes that complaints about the office were down 35% last year over the year before.

Mr Patten: By the way, I know you go after all of the cases and some of them, after a particular period of time, you pass along to a collection agency. What's your priority system? In other words, obviously you want to help each individual, and each individual is a unique case. What's the range of things? You say less than \$5,000. Is this on an annual basis? These are annual?

Ms Karakatsanis: That's the arrears of less than—when I talked earlier about 60% of the cases, there are arrears of less than that.

Mr Patten: Oh, I see, and that could be accumulated over a matter of months, or whatever?

Ms Karakatsanis: That's right.

Mr Patten: What's your worst case? We heard a good one from Mr Martiniuk, a good one in terms of it exaggerates, not typical but an extreme case.

Ms Karakatsanis: I can't tell you what the worst case is. Again, I rely on the auditor's numbers in talking about the percentage of cases in arrears. In the report he noted

that 0.6% of cases had arrears of more than \$100,000. Those arrears include old arrears and old cases. Sometimes payers go to court and get some of those arrears reduced or cancelled if there's been a change in circumstances and they haven't gone to court to get their cases adjusted. These are arrears that have existed since the beginning of the program and with some growth over time, but they have stabilized now. It does depend, as well, what the court order was and the size of the court order.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): You mentioned earlier that you were going to hire 96 front-line staff. What will they be doing? How are they going to make the system better? I'd like you to explain that a little more, please.

Ms Karakatsanis: We've already hired them. They are client service associates. They will be speaking with people on the phone. They will be dealing with the cases in enforcement actions. They will be taking the full range of services that client service associates offer.

Mr Cleary: I was pleased to hear you say that some of your staff are getting complimented on the good job you're doing. It's sure a lot different in my constituency office up until now. There weren't many compliments there about the way things were being handled.

The other thing that I would like to ask—you say that the new models make the difference? I was wondering if you could expand a little bit on that.

Ms Karakatsanis: I think we have a number of new enforcement tools that are making a difference, and we are more aggressive in the enforcement tools that we've had. Credit bureau reporting, for example, is something that's new. Almost 80,000 people are reported to credit bureaus. That's something that's really easy to do, and it's a very cost-effective enforcement measure. The staff push a button at the end of the month and the list goes to the credit bureau.

Interception of lottery winnings is new. That has brought in more than \$435,000. Driver's licence suspension—again, 12,600 notices of suspension resulted in \$28 million coming in and a further 5,200 suspensions brought in \$4 million, for a total of \$32 million.

Federal garnishments, where we garnish income tax refunds, CPP refunds and GST refunds as well, has netted \$34.2 million since April 1999. The collection agencies project has located \$8.7 million which has flowed through to families. Sorry, we're getting the exact numbers. The numbers which resulted from that pilot project—and this is as of this point in time, and more money may flow yet on that project—that brought in \$8.7 million that has been either paid directly or has been agreed to be paid by the delinquent payers. We are expanding that now to deal with debt that is six months old.

The private collection agency project was on cases where a payment had not been received for over three years. There hasn't been such an effort in any other jurisdiction to go after debt that old in such a concerted way.

For court actions, we used to initiate 40 court actions a week, where delinquent payers risk going to jail if they don't pay up. We now initiate more than 100 of those cases per week.

Many of these tools are new tools. We're beginning to see the combined benefits of these enforcement strategies. That's why we're seeing more money coming in and being collected and disbursed to families. I think that's also why we are seeing arrears stabilize, and we expect that they'll decrease.

Mr Cleary: Did I hear you correctly when you said that once the money is received it will be turned around and sent out in two days?

1350

Ms Karakatsanis: In 95% of the cases, we turn it around and send it out within 48 hours. That's compared to 10 days. It used to be 10 days.

Mr Cleary: Or more.

Ms Karakatsanis: Or more.

Mr Cleary: About the suspended driver's licences, I just want to make sure I heard that correctly. You said you sent out 12,500 notices?

Ms Karakatsanis: It was 12,600 notices if they don't pay, and that resulted in \$28 million coming in. In 5,200 cases, we actually had to proceed to suspend the driver's licence, and that brought in an additional \$4 million. So that's a total of \$32 million.

Mr Cleary: You mentioned 80,000 cases earlier.

Ms Karakatsanis: The exact number is 78,800 delinquent payers who are reported to the credit bureau. That is very important. It makes family support a legitimate debt and it affects their ability to obtain credit and loans. It's an enforcement tool that is very cost-effective. It drives payers in.

Mrs Claudette Boyer (Ottawa-Vanier): I just want to come back a little bit to the matter of payments: postdated cheques versus pre-authorized payments. Have the payers who were doing postdated cheques been notified that they should not go with the postdated cheques?

Ms Karakatsanis: They are being notified, yes.

Mrs Boyer: They're not all notified yet?

Ms Karakatsanis: Every time a cheque comes in that is postdated, they are notified that in future there will be a charge for that. There are about 450 postdated cheques that come in per week, which is about 2,000. These are numbers we were able to obtain over the lunch hour, Ms Martel. There are perhaps a little more than 6,000 payers who use postdated cheques. It's already reduced from the numbers you heard earlier this morning because of the introduction of electronic options. In fact, at the time of the auditor's report he noted that 25% of receipts were being received by electronic means. That's up 36%. So we already see more people using electronic payment options.

Mrs Boyer: I think my question was, are they being told that if they go on with the postdated cheques, there is going to be a user fee of \$35?

Ms Karakatsanis: Yes.

Mrs Boyer: The postdated cheque method versus the pre-authorized payment—are they told they should go to pre-authorized?

Ms Karakatsanis: Definitely.

Mrs Boyer: I guess not all of my people have been notified yet, because they didn't seem to know that.

This user fee is implemented right now? If somebody sends a postdated cheque, the user fee will start?

Ms Karakatsanis: The fees are not yet implemented. We are working toward an April implementation. That's the target. It will be sometime this spring. But we've started to notify people that the fees are coming and that there are other options.

Mrs Boyer: If I may come back to what my colleague Richard Patten said, you were saying in your presentation earlier this morning that you were very efficient toward the recovery of payments from payers. But I find that the enforcement should also change. We were talking about the human voice and everything. An automated voice system is great if you just want an update, but sometimes you have a person who is very discouraged and really needs to talk to somebody. What I'm getting from my constituency office is that they can stay half an hour on the line before they get somebody, or they get the busy signal. Do you have a number that tells you how long these people wait? I'm sure at the end of half an hour, when they get on the phone, they surely say that. What I get from my constituents is that the wait is very long. I wonder if efficiency shouldn't only be toward recovering the payments but toward answering these people.

Ms Karakatsanis: We have made solid progress. I don't want to leave the impression that we think there is no more progress to be made. We accept that we need to make more improvements, and we are working toward them. We have made improvements, solid progress, but there is more to be done, and I want to freely acknowledge that.

With respect to the call centre, more people are getting through to the Family Responsibility Office more quickly than ever before. We are now answering more than 2,000 calls every day, compared to the 400 who got through in 1996 and the 1,700 who got through on average last year. We've also expanded the hours by 30%. The hours are now available from 8 am to 7 pm, Monday through Thursday, and the very best time to call is 5 to 7 pm, Monday to Thursday. We do try and encourage people to call at that time. That's the least busy time to call, from 5 to 7, Monday to Thursday.

The wait times are down. We monitor that. The average wait time now is nine minutes. That's down from 30 minutes in 1997, and that is actively monitored by managers at the program. If that number starts to grow, people are reassigned to the phones to be able to answer more numbers and keep those numbers down. We also track the maximum wait time, and that is continuing to improve, although I don't have that handy right now.

The Chair: OK, thank you very much. Before turning to Ms Martel, I just have one very quick clarification. If I sent you 12 cheques, you'd charge me \$35 a cheque to

process each, but if I sent you one every month, you don't charge. Is that right?

Ms Karakatsanis: That's correct.

The Chair: That's correct, OK. Ms Martel.

Ms Karakatsanis: So you can continue to send in cheques with no fees; it's the postdated cheques that will attract a fee. And you can pursue other alternatives, electronic alternatives that are just as convenient.

Ms Martel: I want to return to the private collection agencies and say that I regret that you've left the impression, again, this afternoon that as a result of all the work that private collection agencies did, there's some \$8.7 million coming in, because I suspect we will find that as a result of work being done by FRO staff now, money is coming in. I don't know why you would be saying it has to do with private collection agencies. I think that's kind of a dishonest way to frame it.

Let me ask about the second round. Have the private collection agencies now been hired for the second round, the cases from six months to three years?

Ms Karakatsanis: The tenders are in and we are evaluating them, and we hope sometime this spring to enter into agreements with a number of collection agencies. They haven't yet been selected.

Ms Martel: How many agencies do you plan to select?

Ms Karakatsanis: We anticipate that it will be three or four agencies, but that's not a firm number.

Ms Martel: Would you know from those agencies how many staff they would intend to allocate to this particular project? Was that part of the RFP, that they would indicate that?

Ms Angela Longo: I think that was part of the RFP, that they would have had to describe how they're going to do it, how many people they would apply, the process they would use, and that would be part of the evaluation activity.

Ms Martel: And you would not be at liberty right now to give us that because they haven't been chosen.

Ms Longo: It's in the process.

Ms Martel: Let me ask, how many cases are going to be transferred to the private collection agencies?

Ms Karakatsanis: It's 24,000 cases, representing \$275 million in arrears. Those are the cases that are in arrears from six months to three years.

Ms Martel: And are the contracts one year?

Ms Karakatsanis: It's a three-year program.

Ms Martel: So they have three years to collect \$275 million of arrears for 24,000 cases? That's what the RFP is right now?

Ms Karakatsanis: The \$275 million is the total amount of arrears. We will be working with them to set performance targets, how much of that arrears they can commit to recovering.

Ms Martel: Let me ask you about FRO's own efforts on collection. At the same time as you did the first pilot project, you also did a project internally where 20 enforcement staff were allocated with cases where there had never been a payment, so I would assume they'd be

some of your most difficult cases. This is in July 1998. The auditor reported that you were assigned 40,000 cases. By February of 1999, 16,000 had been contacted. I have a couple of questions. Were these 20 enforcement officers assigned full-time to recover these arrears?

Ms Longo: Yes. I had to think back; I'm sorry.

Ms Martel: Can you tell me how much money they were trying to collect? What were the outstanding arrears assigned to those 20 individuals?

Ms Longo: I can't tell you without going back to check. We assigned cases where there had not been any activity, but we'd have to go back to check how much money was involved in those cases. I can't tell you off the top of my head.

1400

Ms Martel: Could you tell me how much money was collected from that internal project?

Ms Longo: I'd have to go back and check.

Ms Martel: I would appreciate it if you would table this information with the committee, because I would like to make a comparison between the work done by your own staff, targeted, versus what the collection agencies have been able to do in the pilot project you already had.

I'd also be interested in the collection agencies that did the work in the first pilot. Can you tell me if people were assigned full-time by the collection agencies, and how many, to recover whatever was recovered?

Ms Longo: Yes. I think they did assign full-time people in the collection agencies, but I can't tell you off the top of my head.

Ms Martel: If you could table with the committee how many people were assigned through that year, that would be helpful.

Ms Longo: Some of the cases that we started looking at, that had not been looked at in years before, would also be cases that went to the collection agency if we were not successful, because they would have fallen into the criteria.

Ms Martel: If the 20 enforcement officers started in July 1998, when did they end their work?

Ms Longo: I have to confirm that for you. I'm going by memory.

Ms Karakatsanis: It is important to note, though, that the cost of the FRO staff enforcement was borne by the taxpayer. The cost of the private collection agency project was borne by the payers.

Ms Martel: I understand that. My assumption would be that there is not as much in it for people in private collection agencies to go after some of this money, especially if it's difficult to get at, whereas the FRO staff don't have that same restriction. They are there because it's their job to try to recover some of this money. That's why I'm interested in finding out what was collected by each group. I would clearly like to see if there was a difference in the amount that was collected by public sector staff, whose job it was entirely to do this, or private sector collection agencies staff, who may or may not have been motivated, depending on if it was easy money in terms of return.

Ms Karakatsanis: We'll get that information for you. The collection agency project, though, was in addition to all the enforcement tactics being taken by staff and was with respect to debt where monies hadn't come in.

Ms Martel: My understanding was that these 20 people were assigned specifically to cases where there had been no payments. That's all they were supposed to do. They weren't on the phones acting as client service associates. Am I correct that all they were supposed to do was go after this money?

Ms Longo: And examine those files, yes.

Ms Martel: Then they would have essentially the same role as people in private collection agencies?

Ms Karakatsanis: We'll get you the information.

Ms Martel: Let me ask now about the federal government. Do you receive money from the federal government at the FRO?

Ms Longo: The answer is yes, but let's be clear on the context of that. We receive money that is garnisheed from federal sources of income for payers who owe money to recipients here. We don't receive money directly from the federal government generally.

Ms Martel: Can you tell me what this fund is: the development of justice child support implementation and enforcement fund?

Ms Longo: There is a specific fund that the federal government set up, which was to support the implementation of the child support guidelines. It supported provinces across the country on a couple of fronts. One was to help develop the promotion and information around the new child support guidelines. That's not money that went to FRO but assisted in our courts program, for example. We also received money from that federal fund on a year-by-year basis to help implement some of our technology changes. That's what we used it for in Ontario; other provinces used theirs differently.

Ms Martel: So, to implement technology changes. Can you tell me how much money you have received from the federal government to help you implement technology changes?

Mr Costen: The figure is \$1.6 million for the fiscal year 1998-99.

Ms Martel: Did you receive money before that?

Mr Costen: There was some money. I don't have figures with me on that. That's the present budget.

Ms Martel: Could you provide this committee with the amount of money you have received from the federal government for technology improvements, not just in the last fiscal year but at whatever point the feds started this program?

Can I ask this question? Are there federal audits—

The Chair: Excuse me for interrupting. You'll have to speak up—that is, yes or no or whatever the answer is—because Hansard cannot report head-nodding. Thank you.

Ms Martel: Are there now federal auditors at the FRO auditing this money?

Mr Costen: I don't believe they are there now, but there is a plan that they will be coming in to look at how

their money is spent, as they would with all programs in all provinces.

Ms Martel: Is this department of justice staff?

Mr Costen: To my understanding, yes.

Ms Martel: Is this part of something they regularly do with provincial jurisdictions?

Mr Costen: That is my understanding.

Ms Martel: Have they given you an idea of the purpose of the audit? Have they given you their guidelines, what they want to work with?

Mr Costen: I assume it's for the value of the monies they have spent, which we talked about earlier.

Ms Longo: When the federal government set up the child support guidelines funding so all the provinces could implement the new rules, they set aside funding for, I think, four years. Part of the process would be to evaluate the spending of that funding at the end of it. I think the end of it is one year from now. This is year three of four.

Ms Martel: Are the department staff now in all the other provincial jurisdictions as well or just in Ontario? Are they auditing all the provincial jurisdictions right now?

Ms Longo: That would be part of the whole program.

Mr Costen: I believe I was wrong in the information I gave you earlier. They have in fact been to our place and have found no problems with the way the money has been spent on the child support guidelines as it pertains to technology improvements.

Ms Martel: So they have confirmed that the money was spent on technology changes. When were they in? Just in the last couple of weeks?

Ms Longo: Yes, within the last month.

Ms Martel: Will they be making a report public that would show what they were doing, or is this an internal audit?

Mr Costen: That I don't know.

Ms Martel: But it was justice department staff; it was not the federal auditor?

Mr Costen: Yes, it was justice.

Ms Karakatsanis: It's their program.

Ms Martel: I want to ask some questions now about enforcement.

The Chair: I'm sorry, but I wonder if the witnesses can speak up. Hansard is having a bit of problem picking up the various comments.

Ms Karakatsanis: We'll do our best.

Ms Martel: I want to look at some of the enforcement tools that have been used. You have given us some information; I'd like to see if I can get some more. Firstly, can you tell me how many cases are currently registered with the FRO? Perhaps you can give that to me at the end of the calendar year 1999? The auditor reported 170,000, but that was as of March 1999.

Ms Karakatsanis: It's 172,609 cases.

Ms Martel: Can you tell me the number of those cases which would be in arrears?

Ms Karakatsanis: I have 128,000. That would be as of the same date. I believe it's 128,000.

Ms Martel: The auditor used 128,000 cases in arrears as of March 31, 1999.

Ms Karakatsanis: I'll have to confirm for you the number as of December 1999.

Ms Martel: That would be helpful. You've said that by the end of 1999 the arrears were 1.227, so that has not been changed significantly.

Let me ask, with respect to the enforcement tools—you've given us some information about drivers' licences. I'd like to know how many passports you have suspended as an enforcement tool.

Ms Karakatsanis: Four hundred and ninety-nine passports have been seized since 1997.

Ms Martel: What is the amount of money that has been collected?

Ms Karakatsanis: I don't have the amount of money that has been collected specifically attributable to passports. I don't think that's available.

Ms Martel: Do you keep that information as a matter of course? Is that something you track, because I'm going to ask the same question about a number of others?

Mr Costen: On the federal passports, it may be difficult, first, because it's in conjunction with federal statistics, but also it may not necessarily lead to more money. It may well be that a person has left and we've suspended the passport, so it's difficult to actually give a figure as to how much that particular initiative brought in. We're not tracking that.

Ms Martel: If you can get it, that would be great.

Let me ask about other federal licences. Do you have a category that would indicate that?

1410

Mr Costen: That number we gave you includes all federal licences. Most of those are passports.

Ms Martel: So 499 since 1997?

Mr Costen: There may be a few like aviation licences in that group, but for the most part they're all passports.

Ms Martel: Second category: garnisheeing the payer's bank account. You said you were doing \$100 per month. Can you give us a total since that tool went into effect?

Mr Costen: The tool that went into effect was the joint bank garnishment, which is an expansion of the traditional garnishment power. The figure that we have given you was the total number of garnishments. I don't believe we have a figure for you on the joint bank account.

Ms Martel: Sorry, let me clarify. I had two different tools: one garnisheeing a payer's own individual bank account, which I thought was \$100 per month, and the second tool would be garnisheeing up to 50% of a bank account with a third party. Are those two different enforcement activities?

Mr Costen: They're two different things, yes, but they are all collected together because they're all garnishments. They all go through the same process.

Ms Martel: So I should assume \$100 per month for both categories?

Mr Costen: It would be \$100 to \$135.

Ms Martel: OK. What would be the total since that change in the legislation went into effect?

Mr Costen: I don't believe I have that number.

Ms Karakatsanis: I think that a number of these enforcement activities are things where that we use multiple tools, so that we would be proceeding with the lotteries, with the federal garnishment, with a number of these simultaneously, and so it isn't always easy to track what recoveries are precisely by what enforcement tool. We are tracking a number of them individually, such as the driver's licence, which I talked about, and a number of them that I highlighted. They are more aggressive tools and we are able to track how much money comes in as a result of those specifics. But generally speaking, many of these others are simultaneous and it isn't easy to track which particular enforcement tool has resulted in money coming in. We've got the numbers, the money coming in, but I'm not sure that we can provide them broken down discretely by each particular tool. There are some that we can and some that I don't think we can provide.

Ms Martel: OK, for those two items then, what you're saying to me is that you probably couldn't tell me what the amount of arrears collected was by using either of those two activities—the individual bank account garnishment or the third party?

Ms Karakatsanis: We will look to see how specific we can be about how much each of these tools does generate, but I know in advance that we won't be able to be precise, because in a number of cases there's more than one action taken at the same time.

Ms Martel: Let me just give you the other ones I'd appreciate some more information on. You talked about lottery winnings, but also you have the ability to garnish lump sum payments which would be severance payments. Do you have some information about how many of those, and how much money has been collected? Second, the next one is with respect to default hearings. You said there's been 100 initiated per week. I'd like the overall. Now default hearings were something you had before 1997, in any event. Am I correct?

Ms Karakatsanis: Yes we used to initiate four a week, we are now doing more than 100.

Ms Martel: Perhaps you could give us your default hearings in the fiscal year 1998-99, how many went forward and how much money was collected for defaults? Court orders against third parties who are sheltering assets, how many have been applied and if that's generated any money? And the credit bureaus, I would suspect that even though a lot have been done, I'm not sure that you could track how much money has actually come in as a result. That's a whole different matter.

Let me go back to something the auditor said about the enforcement tools. I'd like to get some information about them because I hear you, Deputy, when you say you really are trying to go at this more aggressively. The problem I have is with the ministry's own response to the auditor's concern and criticisms about enforcement, the

ministry's own response that it was going to take the FRO two years to fully realize the impact of its more aggressive enforcement activity. I can't understand, with all these tools at your disposal, why it's going to take two years before we realize some very significant enforcement activity. I go back to what the ministry provided as a response in the auditor's report.

Ms Karakatsanis: The auditor was there in the very early days of some of these new tools. That's why we believed it would be a while before we would be able to fully implement and fully gauge the effectiveness of these tools. We're coming up to the two years soon. I think what you see is that a number of these tools have really matured. We are using them more aggressively and money is coming in.

Ms Martel: It would be your submission that in fact the two years is almost over. I thought the auditor was in by the end of March 1999.

Ms Karakatsanis: Maybe not. I believe we were looking at the period 1997-98. In any event, certainly a year has gone by since beginning a number of these, and it does take a while to get a sense of how aggressive we can be in these areas and how effective they will be. This is something we continue to monitor.

Ms Martel: You've said to us one of the changes is that after 60 days in arrears the payers are contacted by a live body and then more enforcement is undertaken. Can you give us some idea of how people are tracked after the 60 days? The auditor's criticism was that because you had different case managers who were involved in different cases, there were huge gaps between enforcement actions. I want to know what new system you've put in place. Perhaps it is that people are hanging on to their own files now. What system are you putting in place so that after the first contact with a payer you are sure that the same individual is then following through with any number of enforcement activities to make sure money comes in?

Ms Karakatsanis: There are a number of reports that the Family Responsibility Office uses to manage cases. As I mentioned earlier, when enforcement is required, the client services associates are assigned to a case and stay with that case while the enforcement is necessary. That is something that assists. They bring forward reports and user logs that do bring back the cases that require action according to the type of action that's required.

There are a number of other reports that are used. We are also looking at some new reports that will assist in tracking some of the cases. With the Y2K freeze now lifted, we'll be in a position to start to implement some of those reports to assist us in the monitoring.

Ms Martel: Can I ask when your 60-day policy went into effect?

The Chair: Can we get back to that later on? I think the 20 minutes are up. I've been more than generous. The government side.

Mr Martiniuk: I will be sharing my time with Mr Johnson and Mr Hastings.

I understand the ministry will be implementing a computer-telephone integration initiative. Could you tell us how that will work and what are the time frames involved in its implementation?

Ms Karakatsanis: That's coming soon. We're very excited about it. It integrates the computer and telephone system so that as a call comes into the office, the case information is brought to the screen immediately. That saves valuable time, so that the client services associate doesn't have to search for and bring up the file. That gives them a head start as soon as they're on the phone.

That is something we're hoping will be implemented within the next couple of months. We believe that will help us provide more efficient service and hopefully will assist us in bringing the time that we need on the phone down and bring those wait times down as well.

Mr Martiniuk: That program would be based on and supported by the imaging monitoring program. What's the state of that? Do you have all the data in? What's the time frame?

Ms Karakatsanis: We have just been upgrading the data software imaging system. That does allow us to scan documents so that they're available to client services associates as they need them and can therefore provide the information to the caller without having to go search a paper file. We have just completed some upgrades that will allow for a greater volume of users, and that is being implemented this week—on Monday.

Mr Bert Johnson (Perth-Middlesex): I want to I understand some of the terms and so on that you use. The term "in arrears" was used. When do you consider someone in arrears? What I'm getting to is that in the project that you're working on, those cases, as I understand it, haven't had a payment made between six months and three years. How does that differ from arrears?

1420

Mr Costen: Basically, arrears are when a debt is due and payable in accordance with the court order and money has not been paid. It's as simple as that. So you may have arrears of two or three days when the payment is late, and that may show up on the system as arrears temporarily. When the cheque comes in, it would adjust accordingly.

Mr Johnson: When you're using the term "arrears," you're using zero tolerance for a late payment?

Mr Costen: Yes. We don't wait, like, 30 days.

Mr Johnson: So that doesn't have anything to do with the six months to three years and the \$275 million that you're doing under the three-year program?

Ms Karakatsanis: That's right. We have targeted arrears in cases where payments have not been made for six months for this enhanced private collection agency program. The Family Responsibility Office staff continue to work on cases to ensure that money is flowing and that those arrears do not build up. We agree that the sooner you can get to a payer, the more likely you are to be able to collect that debt. So we are continuing the efforts to keep cases in compliance, and we are providing to this project those cases where payments haven't been made

for more than six months. We're not forgetting about the arrears of less than six months. I want to assure you of that.

Mr Johnson: The other thing I wanted to get to is the enforcement tools, and I guess what I would call threats. We were told, I believe it was this morning, that although you have the enforcement tools for suspending somebody's driver's licence, you would notify that person and they would have to make a payment or arrangements for payments within 30 days or you would implement that suspension?

Ms Karakatsanis: There's a third option. They can go to court for a reframing order. That is an order that would stop the Family Responsibility Office from proceeding with the licence suspension. In order to do that, they have to at the same time apply to the court to review the arrears or a motion to vary the arrears, to reduce them. In other words, they would be disputing the amount of arrears that they feel should be paid in that case.

Mr Johnson: Is that a common law right or is that a legislated right?

Ms Karakatsanis: The legislation gives them the right to do that.

Mr Johnson: That is in this legislation?

Ms Karakatsanis: It's in this legislation.

Mr Hastings: Let's go back to some of the matters we started to look at this morning. You mentioned in your presentation that the FRO now has some kind of e-commerce orientation. This frightens me. I would like to know then, if you're going to have some kind of—what did you call it?—an E-CLIPS security system, what is the format of this security system? Is it a 128 standard?

Ms Karakatsanis: I can't answer that question. We've worked in partnership with the Royal Bank. It is an Internet-based system. It is a secure system. There is no personal information available on that system. It is a system that allows employers to remit payments from the payer directly to the Family Responsibility Office. It is a system that I understand is secure and that 171 employers are now participating in. But I think I'm going to get the answer to your specific question.

Mr Hastings: Do you want to go back and check your software or whatever you're using, because if it's an on-line thing connected to the Internet, we've just seen some of the stuff that's been happening there in terms of these sites that are supposedly really secure, all the industry in the US said, and yet that's not the reality of the situation.

Ms Karakatsanis: As I said, we've worked with the Royal Bank. It's their system and they deal with security on the system.

Mr Hastings: If it's a system that involves a private virtual network, something that's off-line, then that would make me feel much better, if that is the situation. That would be my first question.

Ms Karakatsanis: With your indulgence, Toni Mazur, who is in charge of our technology, is available and would be happy to answer questions.

The Chair: Would you identify yourself, please.

Mr Toni Mazur: I'm Toni Mazur. I'm the senior manager of information systems at the Family Responsibility Office.

The connection to the Royal Bank and the income source is done through a secure socket layer, the latest in information technology security on the Internet. The entire development process was undertaken by a subsidiary of the Royal Bank on our behalf and it was part of the requirements from the Family Responsibility Office that this be a very highly secure operation.

Mr Hastings: Does that mean that it's on-line or off-line?

Mr Mazur: It is on-line.

Mr Hastings: That means there is some kind of encryption used?

Mr Mazur: That is correct.

Mr Hastings: Have you or the Royal Bank actually tested it so that we don't have to face the potential downside on this, if there is one?

Mr Mazur: Testing was undertaken both within the context of the government's Year 2000 program and also by the Royal Bank with respect to all functions within that connection for security.

Mr Hastings: I'd like to go back to the organizational stuff. Are you satisfied in terms of the information you're using, the enforcement strategies you have in place, to ascertain where you will be, say, in a year or two years from now in terms of not only handling the incoming number of cases but also the ones you're dealing with so that we have some benchmarks, some standards by which we can measure real progress? In your report we get some snippets of information, that driver's licences, for example, provided about \$32 million in monies back to kids and families, but it would be nice to have some kind of material brought to this committee that would show the next two to three years contrasted with what it was back six or eight years ago. That's what I would like to see.

FRO is now on a case management system to a great extent, but not totally?

Ms Karakatsanis: That's right. For those cases that require enforcement actions, they are assigned to a particular CSA. It's a case management system for that particular function during that time.

Mr Hastings: To what extent or when will the case management approach be the full focus of the FRO instead of the old issues management approach you used to use whereby the auditor said you could have up to at least three enforcement people or client service reps involved in tracking down the disappeared?

Ms Karakatsanis: There are a number of questions. Perhaps I can start with your last question first.

Mr Hastings: Before you do, I'll give them all to you, because some of these you may have to bring back.

What I'd also like to know is, how did the issue management approach contrast with the case management approach in terms of the delays, in terms of the collection of monies, in terms of the return of phone calls? There is a whole set of indicators you could use. I

think you're going to have to go back and look at how the organization was functioning from when it started up to 1995. I'd like to get some information in that regard. The focus of this committee has only been the auditor's report, which is fine, but I think there is always a prior history involved in this stuff. It would be nice to get that kind of material in terms of how issues management slowed down or advanced the handling of cases, from the most simple through to the most difficult, versus the case method you're now using. That would be an interesting situation to see.

1430

My final question comes out of experience with constituents in terms of their—I don't know whether it's the lawyers or the courts or both. In some of the older cases I've seen in the last year or year and a half, roughly, the court orders that were developed by the family law lawyers or their assistants and what was brought about by the crowns in some instances weren't very clear as to who was to pay, what the frequency of payment method was—all that kind of stuff—and when children became adults. I just had a case where a gentleman is still paying for his 21-year-old son, who is not in university or not designated support by that family. In other words, he's off on his own, but he's still receiving payments. I know there are very few cases like that. You may not be able to answer that kind of a question today. How does how the court orders are written improve or delay your administration in executing what has to be done in a particular file?

I talked to a judge once at a social gathering who said that in some instances, the court orders are not clearly written. I think that question would be very difficult to answer today, because I think you'd have to go back and look at some of them to get an anecdotal approach as to whether the lawyers don't help their clients or do help, depending on what the set of circumstances are of some of these situations. Those would be my questions.

Ms Karakatsanis: I'll go in reverse order, and then I will save some time for Dave Costen to tell you about the efforts to standardize court orders. You're quite right. Inconsistent court orders, unclear court orders, court orders that are not precise about when the support starts, when it stops, how much money's involved—those all pose huge operational challenges for the program and huge areas of disagreement between the parties. That is an area where we have done considerable outreach and we are really trying to influence those who, at the end of the day, help to draft court orders. I will save some time for Dave Costen to respond to that.

If I can just touch on the other two questions that you asked, the first is about case management, and it is something that we need to review with respect to the efficiency and the cost-effectiveness of that approach as part of our ongoing, continuous improvement. It's hard sometimes to isolate what impact one particular factor has on the overall efficiency of the organization. It's early days yet to be able to contrast the effectiveness of a case-managed enforcement approach to the earlier ap-

proach. We do agree with the auditor that having several different people on enforcement matters, particularly within a period of time related to enforcement of an order, was not as appropriate as the approach we're currently taking.

It is something we will continue to evaluate as we look at the overall effectiveness of the organization. It's early days yet, though, to provide any specific contrast to the issues management approach.

The one way that we try to measure the effectiveness of the organization as a whole, in our effectiveness in meeting our goal of getting more money to more families as fast as possible, is the performance criteria that we have for the program. Those, if you like, are benchmarks where we measure the amount of money flowing, the percentage increase of money flowing, the compliance rates. That's a really objective assessment of whether more cases are in compliance or in substantial compliance than used to be. That's a good objective measurement of the effectiveness of the program.

We also measure access to the program by people who need it: How many calls are getting through, what's the average wait time and, of course, what's the turnaround time in getting money to families as fast as we can?

Those are all objective performance measures that we have in place, that we have been tracking. Those help to give us the information to know whether we're on the right track, and in all of those areas we've seen improvement.

Mr Hastings: Could you go back then and contrast those latest stats you have in these areas with what they were six, eight years ago?

Ms Karakatsaris: I haven't—

Mr Hastings: You can't do it right now, so I would like to see that kind of information supplied to the committee if you don't have that, and it may take a little bit of homework.

Ms Karakatsaris: I can give it to you now, if you like. The compliance rates: 58% today; 53% in 1994-95. Amount recovered: \$367 million in 1994-95; \$532 million projected for this fiscal year. That's an increase of 47%. Wait times are down; they are now around nine minutes. Average wait times: I have that compared to last year, which was 1,700, and I think in the fall of 1996 it was 400. So there have been improvements. The turnaround time in payments: 95% of the time we get money out within 48 hours, compared to up to 10 days back in 1995.

Mr Hastings: Do you have stats prior to 1995 on some of these categories?

Ms Karakatsaris: I don't.

Mr Hastings: You don't have them with you? That's what I'd like to get.

The Chair: That's the 20 minutes. There was a question to the gentleman as well. So why don't we get your answer.

Mr Costen: We do a lot of work both with delivery agents, lawyers, the bench, and through our materials of payers and recipients, trying to get parties to make their

orders very clear as to how much is to be paid, when it is to be paid, and that the amount of money is very certain.

What often happens is that there are contingencies built right into the clause in the order which create all kinds of problems for us. For example, you might get an order that says the support payer is to pay \$200 per month when employed and \$50 per month when unemployed. The problem for FRO is, we don't know when the person is unemployed, so we continue to enforce, but obviously the payer gets upset when he goes on EI. Those are the types of calls that come in to the call centre and create problems within the financial area. Oftentimes there will be an issue within legal as to how that is to be interpreted. Oftentimes the parties will sit down and say the payer is required to pay tuition fees, but nobody ever tells us what they are, nobody provides the information.

What we try to do is put out sample clauses of enforceable types of clauses, which will be a sort of FRO-friendly clause. We spend time with the bar and the bench. We've circulated these solutions to the judges. They are free to accept them as they wish, but our basic assumption is to keep everything simple. A lot of times when parties or lawyers work together, they have a solution that makes sense at the time they cut a deal, but when it comes to the office it doesn't make so much sense. The enforcement officer or the financial officer wasn't in the room when that provision was put together; therefore, it's important, so that time isn't wasted on that particular file, so that the clauses be kept simple, straightforward, that you know exactly when the payment is due and by whom and at what time.

The Chair: The official opposition.

Mrs Boyer: I want to come back on the enforcement tools. I know that the payer has a legal responsibility to pay support and that the Family Responsibility Office has, as you mentioned this morning, a lot of enforcement tools.

Pertaining to suspension of a driver's licence or a passport, which is mostly the case I have in mind right now, as soon as this person who has been told he will lose his passport or his licence will be suspended pays the arrears and pays his dues, is his passport given back to him right away or is there a waiting period to be sure he goes on with his payments?

I have a case of a person whose passport was suspended. He paid his dues, got his passport back and now he's not paying. So right now it's a game that he's playing. I was wondering: How long can this go on? For how long is his passport suspended?

1440

Ms Karakatsanis: I can't answer specifically with respect to the passport. I can certainly tell you that with a driver's licence suspension, and in principle if there's a suspension, it should be lifted when the payment is made or when an agreement is reached for the payment of money over time. It should be lifted at that point in time.

Administratively, I'm not quite sure how long it takes the federal government to reinstate. That is something we would hope to work with them to do as quickly as possible. The same thing with reinstatement of the

driver's licence: When the payment is made or when an agreement is reached as to the repayment schedule, the licence should be reinstituted.

Mrs Boyer: I know for a fact that with this passport suspension, as soon as the payer paid his dues, he got his passport back. But how long can you do that? This has been going on for quite a long time. Isn't there something that can be enforced that after so many times, you lose it for good?

Ms Karakatsanis: We do have to go back every time, but we can go to court. We can take a payer to court, particularly if they are deliberately not paying their arrears. A history like that would be evidence that the judge would take into account in determining whether to impose a jail sentence if payment isn't made.

Mrs Boyer: So the same thing could happen with the suspension of a driver's licence. This is a sort of pattern. The payer is playing with the one who is waiting for the money.

Ms Karakatsanis: If they go into breach again, if they're determined not to pay, we would either have to go for a licence suspension again, or we would likely then consider court the next step.

Mr Costen: In a situation where a voluntary arrears payment schedule is breached, we would issue a second notice, which means that the person would be on notice that we would suspend the licence again. In a second-notice situation, they are not entitled to go for a refraining order. However, if they pay off all the arrears and take it right back to zero, then we have to start the process all over again. That's the way the legislation is.

Mr Patten: I have a couple of quick ones. I'm curious about postdated cheques. If I understand this correctly, if someone sends in 12 postdated cheques, from now on they will be charged \$35 per cheque or for the year?

Ms Karakatsanis: Per cheque.

Mr Patten: That's pretty high. Landlords ask people to do that, and they're glad to receive them. Are you not vulnerable to someone saying: "This is a valid way in which it has been done. There are precedents for it. I've done it before"? I appreciate that it costs a bit more time, but \$35 to take a cheque and put it in a bank account—if you had staff like that, I wouldn't mind a few of those wages.

Are you not vulnerable to someone taking you on on that and saying: "This is discriminatory. It has been a legitimate form of payment. You've asked for it in the past, we've provided it in the past, we want to continue it, and now all of a sudden you are going to—"? I can see a small fee, but \$35 a cheque is a bit much for some people, especially if they are in a lower category of payment.

Ms Karakatsanis: The key is that alternatives are available. There are pre-authorized payments, telebanking, payroll deductions and the new Internet payment system. There are simple and easy alternatives available, so we do not think we're vulnerable in terms of any legal challenge.

In terms of the business sense, this is administrative effort that could otherwise be directed to enforcement

activities. There are simple and easy alternatives—making electronic payments. In fact, we have seen electronic receipts increase from 25% at the time of the audit to 36% today. Given the trend for e-business and the trend in the banking sector, that's going to continue to rise. There are simple, easy-to-use alternatives to avoid the cheques. It does involve extra work for the Family Responsibility Office, work that could be directed to enforcement. It's the cost of doing business.

Mr Patten: My only point is that for every big system, particularly big government, there are always extenuating circumstances for somebody that this is a better way for them. I don't want to waste my time on that issue.

In terms of the collection agency that is going to be collecting arrears, and they are finally able to recoup some money—and I know these are accounts beyond six months, and some of them are a long-shot, so to entice an agency to do it they would get a fairly health fee. Let's say they are able to recoup some money. Where does that 30% go? Who pays it? What are your criteria? Does this go to the spouse, for example? The 30% you have to pay the agency: Who pays it? Does it come out of the amount that is being recouped? Is that less for the spouse who is waiting for the money? How does that work?

Ms Karakatsanis: The 25% is added to the total amount of the arrears. As money comes in, it goes to the recipient first. The fees are the last thing to be paid to the collection agency.

Mr Patten: The fee is added to—

Ms Karakatsanis: It's added to the total debt.

Mr Patten: I see. OK.

Ms Karakatsanis: As money comes in, it is applied to arrears for the recipient first, and only after that is paid off—

Mr Patten: So the person in arrears is paying that fee. OK. I understand. Good.

I have a technical question—it's how the auditor's office works. There are a lot of things in this program that revolve around computerization, which is going to be the ultimate saviour of the program, but there have been difficulties throughout. My question to the auditor, first of all is, there are two or three occasions in which you made comment, waited for response and went back at it. What happens? Are you still on this file, or once you have made your report you have a choice of going on to other ministries? Is this a live file for your office?

Mr Peters: Yes, it would be a live file. For the moment it's not live. For the moment it's in the hands of this committee to follow up on our report. But the next follow-up on this program will be for our 2001 report. In other words, we're going to follow up in two years. We always follow up two years after we have audited a program, as to where it stands.

Mr Patten: OK, so it's up to us. So you see, you're going to have to relate to us.

Ms Karakatsanis: If you like, I could address why we made the choices we did about technology. I'd be happy to answer that question.

Mr Patten: No. Truly it was a question with the auditor's office. I don't know how long they continue with something, but he has answered the question.

The success indicators you gave before—did you ask for a report on that at another juncture, John?

Mr Hastings: Yes, I've asked for some statistics on that—

Mr Patten: OK, that's on the system itself. Deputy, on the indicators you were talking about before—in terms of level of arrears, number of people on the system, the waiting time, the backlog etc; you ran through a number—could you give this committee a report in a reasonable time? Let's say in June. Do you have junctures or do you track this on a monthly basis?

Ms Karakatsanis: Yes, we do.

Mr Patten: On a monthly basis.

Ms Karakatsanis: And we have measures that we are targeting to meet for the end of the fiscal year as well.

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Mr Patten: Could I then ask that you share that, just for a period of time. There are some small indications, I think, that it's turning around.

This is my suggestion, by the way, on your call centre survey. We would necessarily receive people who are either desperate or are in the category where they're not satisfied, and if that is so, you might do a quick survey of maybe 30 MPP offices, because, believe me, some of that is not working.

In terms of the computer system, the maintenance enforcement computerized accounting system, that was an adjustment to your computer program from further requests, right? This was in 1998. The auditor is saying that it's still not dealing with the original questions that were identified. But I note that in the response of the ministry they're saying: "Listen, we're going to get on this. We're going to develop the archival function that the auditor's office had identified and the improvements on its function for your staff to be able to draw on the data when they're working to do that." Did you report on that this morning? I wasn't here in your first 20 minutes or so.

Ms Karakatsanis: I touched on it briefly. I'd be happy to do so in more detail. First, with respect to statistics from 1987 to 1992, I don't think we have very good information, and they weren't necessarily tracking this or tracking the same thing, so I'm not very optimistic that we'll be able to provide you with information. We chose 1995 because it was just before the transition to the new program, as a way of measuring the success of the program. It was opted in previously. That was a different program.

With respect to the computers, following the auditor's 1996 report, we did look at the program, at the evolving mandate, the advances in technology that were available to provide solutions to the problem. For us, continuity of service is so critical. We decided to take the more cost-effective and less risky route of implementing technology solutions that did not involve complete replacement of the system, but, rather, involved enhancements and improvements to the system. Performance has improved

since the summer of 1998 and we do use technology. We are among the most sophisticated users of technology in the public sector. We've been able to implement many improvements while maintaining that service. I've talked today about the turnaround time for the receipt and disbursement of funds. There are a number of new initiatives that I've referred to: the E-CLIPS project; the computer-telephone integration project, which we are going to be implementing shortly; the automated phone system which requires changes to the program—I've forgotten the fourth one. We are looking, as well, at secure internet access for the social assistance benefits and the panel lawyers.

We have completed the architectural review that we had indicated to the auditor we would complete. We will be developing data archiving this year and looking at other improvements. The upgrading of the document imaging has been concluded, and as I mentioned earlier, we'll be implementing the upgrade on Monday. So we are constantly looking at ways to improve the system.

For us, continuity of service is key. We took the choice that we felt was more cost-effective and less risky to the continuity of service by making improvements to the existing system rather than replacing the system entirely.

Mr Patten: The auditor had suggested some other indicators in your performance list and one of them was the age of accounts in arrears. I gather you've commented that you are able to identify those now.

Ms Karakatsanis: We track the age of arrears, and we've talked about it today. We did the one program for arrears of more than three years, and now we're expanding for arrears of more than six months. So we do track the age of arrears. It's a factor that helps us in determining what kind of enforcement techniques would be the most effective in that case. We did decide to start with the hardest.

Mr Patten: Do you have a person who responds where the person is an exception? For example, we had a case where a person had completed their support payments two years ago and the collection agency was on this guy's neck. In situations like that where all of a sudden the person is going to be cut off or has been cut off, but there's a mistake, do you have an emergency response to a situation like that, either way? In other words, they don't fall within your normal category.

Ms Karakatsanis: I was going to say we can't terminate support orders. That has to be done through the order; it's not something the program can do. The court order has to be changed or the parties have to agree that certain facts have occurred. Both parties would have to agree that some event has occurred which means that support payments should stop, unless the order is very clear on the face of it. Sometimes it's that kind of a dispute. But yes, we do have a system in place to deal with those cases where we're proceeding against someone who disputes the arrears, and obviously we would move very quickly in those cases.

Ms Martel: Let me go back to a question Mr Patten raised about how private collection agencies get paid.

You said that when the money comes in, recipients are paid and then money goes to private collection agencies. What happens in the case where 100% of the arrears doesn't come in?

Ms Karakatsanis: If the collection agency doesn't bring in any money—

Ms Martel: No, if they bring in some but not all of it, do they still get paid under that circumstance or are they paid only when all of the arrears have been paid to the recipient?

Ms Karakatsanis: No, there's a scale. Dave.

Mr Costen: This is only under the collection-of-arrears pilot project, because the enhanced CAP project—these details have not been worked out. With respect to those situations where there hasn't been a full payment, there is a scale by which the collection agency gets some money, up to a threshold of 25% of the payment, but the total arrears are never taken off the books. If we haven't got all the payment, we will continue to enforce until we get all of the money, and the recipient is not out of pocket because of that.

Ms Martel: Well, the recipient is out of pocket right up front. Let's say 50% of the arrears comes in, which is supposed to go to the recipient, and you take 5% of that and give it to the private collection agency, that's money she's out, right?

Mr Costen: You have to bear in mind that under the CAP project this was money that nobody was getting.

Ms Martel: That's not my question. The deputy said early on, very clearly, that this system is only being paid for by delinquent payers. She made that very clear. This was with respect to private collection agencies. What you are telling us now is that in fact recipients don't get 100% of all of their arrears first off, before you pay collection agencies. In fact, if they get some money coming in, some other money that comes in that's supposed to be for them is actually being siphoned off to pay for the private collectors, right?

Mr Costen: Up to 25%, until such time as the whole payment is made.

Ms Martel: Then recipients did pay for some of this pilot project, didn't they?

Ms Karakatsanis: The payers paid for it. It was their money.

Ms Martel: Owed to recipients.

1500

Ms Karakatsanis: This is on cases where payments hadn't been received for three years. This is not money that recipients paid; payers paid for it. The numbers I gave you were numbers that were paid to recipients.

Ms Martel: But, Deputy, you said this project was only being paid for by delinquent payers. My argument is, if money that comes in from a payer that's supposed to go to a recipient doesn't all reach her, then she and her family are paying for part of this project, aren't they? You have no guarantee that 100% is ever going to come in. Why would you ever be giving the private collection agency any money until the recipient has received 100% of what she's supposed to receive?

Ms Karakatsanis: I disagree with the way you've characterized it. This is money that recipients would not otherwise be getting. It's money that went directly to recipients. We've told you the total amount that went to recipients and that they will be getting. It's money they weren't otherwise getting.

Ms Martel: Deputy, you have no guarantee that 100% is going to come in, do you? You don't. The payer may start paying. He may send a few cheques in and then he may stop. In the meantime, of the money that came in, which should be going directly to recipients, some of that money was diverted to the private collection agencies. Correct?

Ms Karakatsanis: In the meantime, money came in that wasn't otherwise coming in. It came in as a direct result of the enforcement actions taken by the private collection agency.

Ms Martel: But it's not correct to say that in fact recipients didn't pay for this. In some cases, they sure would have. Money that should have gone to them went instead to the private collection agency, which wouldn't have happened, for example, if FRO staff were actually collecting these arrears. Right?

Ms Karakatsanis: There is no fee for FRO staff to the payer or the recipient or collection—

Ms Martel: Right. So all of the money that the FRO staff bring in in terms of arrears goes directly to the recipient. Right?

Ms Karakatsanis: Yes.

Ms Martel: So what you've got happening—

Ms Karakatsanis: Paid for by the taxpayer.

Ms Martel: Right, except it's money that's also owed to recipients. They have a legal obligation to receive it.

Ms Karakatsanis: And we are assisting them in getting that money. The taxpayers have determined that this is a priority, that it is worth investing in getting the money to the women and children who deserve it.

Ms Martel: I would argue that 100%.

Ms Karakatsanis: We are looking for alternatives, though, that make payers bear some of the cost of enforcement. The fees that are payable are payable by the payers, and the money that's coming in under the CAP project is money that wasn't coming in, hadn't been coming in for three years. The way I look at it is, at the end of the day those recipients got money in their pockets that they were not getting before. The CAP project located \$8.7 million for women and children who are entitled to that money and who were not receiving it. We think that's a success.

The Chair: How much money was that? What was the number again?

Ms Karakatsanis: Some \$8.7 million was located. I know that about \$1.7 million of that is under agreement to be paid. That's not money they've actually got in their hands yet, but there is an agreement to be paid. But the rest of it is actual money that is now in the hands of families who need that money.

Ms Martel: I would argue that if the office had ever been staffed up fully and the staff had their own enforcement mechanisms to use, they could have done the job. I

don't blame you for that. I certainly blame your previous minister and the current one. If the office was adequately staffed, then people could use the enforcement tools and get at this money.

How much money did private collection agencies get from the CAP project that should have gone to recipients?

Ms Karakatsanis: We were getting the actual breakdown of the numbers.

What's the question again?

Ms Martel: How much money did the private collection agencies get from the CAP project because of the fact that they get money on a sliding scale?

Ms Karakatsanis: We'd have to check that.

Ms Martel: Is the same kind of agreement going to be put in the second round of pilot projects?

Ms Karakatsanis: We haven't yet negotiated the terms of the second agreement, but the fees will be payable by the payer, not the recipient.

Ms Martel: How will that be done, then? The minister clearly said on more than one occasion that fees were being paid for by the payer. Now we find today that in fact some of these fees are being paid for by recipients because it's money they don't get. Right?

Ms Karakatsanis: It's never money that recipients pay. It's always money that payers have paid.

Ms Martel: It's money they're entitled to receive, and instead of receiving 100% of it, some went to collection agencies.

Ms Karakatsanis: They're entitled to receive all of the support payments. It's sad that some parents don't meet their support obligations.

Ms Martel: Yes, it is.

Ms Karakatsanis: We do everything we can to get as much money as we can as quickly as possible. The CAP project located \$8.7 million on cases where payments had not been made in more than three years. That's \$8.7 million that they received.

Ms Martel: Deputy, we've already had the argument about how much of that \$8.7 million is truly related to private collection agencies and their work and how much would be related to work FRO staff did starting in October 1999.

Ms Karakatsanis: I will get you the exact breakdown of the numbers, because they are available—

Ms Martel: That would be great.

Ms Karakatsanis: —but I will say again that these numbers are as a result of that project, and FRO staff are acting on information that was obtained by the private collection agencies.

Ms Martel: But they're doing the work. FRO staff is doing the work.

Ms Karakatsanis: They're doing some of the work. Of course they are.

Ms Martel: That's right.

Ms Karakatsanis: They'll continue to do work.

Ms Martel: Which other provinces impose user fees when you send in postdated cheques for payment?

Ms Karakatsanis: I don't know the answer.

Ms Martel: Which other provinces impose user fees, period, for administrative work in their own support system?

Ms Karakatsanis: I don't have that information.

Ms Martel: I would like you to try and find that information for this committee. I'd be interested to know if Ontario is the only one that now wants to implement user fees for information that people should have a right to have without a charge, or user fees for doing something that they should be doing, which is making payments.

Let me ask about the staffing levels. The 96 more client service reps: Are these full-time, permanent positions?

Ms Karakatsanis: These are full-time, permanent positions.

Ms Martel: Was the \$6 million added to the base budget of the FRO?

Ms Karakatsanis: Yes, the \$6 million was added to the permanent base budget of the FRO. We had had temporary funding in previous years for specific projects, but this is permanent base funding.

Ms Martel: In terms of staffing, you're up to 442. Can you tell me, of those, how many are client service reps who would do enforcements?

Ms Karakatsanis: I think it's 140; 139 is the exact number. That's up 40% since June 1995. But it's important to remember that other staff—our legal services staff, the 107 panel lawyers across the province, the financial support staff—are involved in enforcement. So I don't want to leave the impression that it's just the CSAs, the client services associates, who are doing the enforcement. They all play a key role.

Ms Martel: Does the 140 include the 96 new staff?

Ms Karakatsanis: Yes, it does. That's the number today.

Ms Martel: How many lawyers are on staff at the FRO?

Ms Karakatsanis: Eleven lawyers are on staff in legal services. I believe that's lawyers. There are 11 on staff, and there are 107 panel lawyers across the province. That's another private sector partnership that we have, with panel lawyers who are available to act on default hearings for the program.

Ms Martel: Does the FRO pay their fees per default hearing?

Mr Costen: Yes, they do.

Ms Martel: How many people are in your finance branch?

Ms Karakatsanis: Financial operations support staff is 268.

Ms Martel: Of those, which ones would be directly responsible for making amendments to files in terms of trying to get money in with a federal garnishment etc?

Ms Karakatsanis: I don't have that level of detail.

Ms Martel: You said earlier that we've got about 500 cases per client service rep and that's an appropriate standard. Can I ask what that would be in other jurisdictions? What would someone in a similar position have

in terms of a caseload in Quebec, Manitoba, BC, Alberta?

Ms Karakatsanis: I don't have those numbers handy. I should say that with respect to caseload, the cases really range in complexity. The 500 is an average, and it really does depend on the complexity and the range of cases in that. It's something that managers do keep an eye on, and they are monitored by managers. As I mentioned, they are supported by teams that include the legal and financial officers.

Ms Martel: Do you know how our staffing levels compare to other jurisdictions? By "compare," I mean in terms of number of cases registered and staff dealing with those cases. Do you do that kind of comparison, that kind of work?

1510

Ms Longo: That's a difficult question for us. Ontario has more cases than all the other provinces combined. More of the other provinces have opt-in programs. We have the only universal program like this so we have a lot more cases, so it's hard to compare the apples and oranges; it makes it difficult. They have much smaller numbers of cases and they don't necessarily have all the enforcement kinds of tools and therefore the requirement to staff according to those tools. We've tried for a long time to find apples and apples and oranges and oranges to be able to satisfy ourselves, to satisfy the auditor; the auditor tried doing that. It's been a challenge.

Ms Martel: Could you make a comparison about how much is spent here to collect a dollar of support owed versus what is spent in other jurisdictions?

Ms Longo: I don't have that here right now. My best recollection is that the last time we did it, it was about five cents of our dollar to collect a dollar, and BC was about 27 cents a dollar. Our record was good.

Ms Martel: Do you know when that goes back to, that comparison?

Ms Longo: It's probably six months, 10 months ago. I'd have to go back and get it; I didn't bring it.

Ms Martel: If you could provide that to the committee with whatever comparisons you have to BC and other jurisdictions, that would be helpful.

Ms Longo: But I'd just give you the caveat that it's very hard to get apples and apples.

Ms Martel: Let me ask you about computers. The auditor has made it clear to this committee that in fact the changes that you've made to your MECA system through your FRONT initiative—I'll just use the acronyms—will not respond to the concerns he raised in both 1994 and 1996. I'm wondering if you could respond to that comment.

Ms Karakatsanis: The changes we've made with FRONT have really assisted the client service associates in being able to provide a user-friendly way of accessing the information in the system. It was the Family Responsibility Office's assessment that the best way to go was to make improvements to the system rather than replace the entire system. We have just recently finished our architectural review of the system and are now

reviewing further improvements. It is a continuous improvement process and we will be developing, as the auditor had recommended, an archiving function. It was the office's assessment that the most cost-effective and the least risky way to go, bearing in mind the need to build into the system more enforcement tools and to be cautious about maintaining continuity of service, that the better way to proceed was through improvements. So that was the assessment of the office. The technology has certainly improved since the summer of 1998, and we have completed the architectural review and we will be reviewing the findings of that.

I've mentioned a couple of the new initiatives we have and I won't repeat myself, but the computer-telephone integration system is one that we think will be very helpful to this end. I've talked about E-CLIPS and the other—you know, the full-time voice-automated system.

Ms Martel: How much money has been spent by FRO on new technology, and I mean in computers, to try and respond to the auditor's 1994 and 1996 reports?

Ms Longo: We have to put it right in particular fiscal years, but it's about \$5 million in the last three or four years to upgrade that.

Ms Martel: In total.

Ms Longo: To add one thing to what the deputy said, if we were going to replace the whole system, as was suggested in 1994, and as some people thought—because the easiest thought is of course to say: "Get rid of that; build it new." It sounds easy. It would take two or three years to build a computer system the size of the FRO-MECA system. It's a long time and many millions of dollars to do that. To keep the business running, to implement the kinds of new initiatives we had in front of us and to try to improve the enforcement, it was smarter and more cost-effective to fix the system and build on to it. That's been tried in many other similar systems where you can improve the system. The one thing we're going to do out of the architectural review that will help is the archiving function, because it never had a built-in archiving function. All the cases in our system—even when they've terminated, the kids have grown up, it's all over with—stay in our system, so when we run, say, a batch for month-end it has to run through all those names, even those who are all gone, they're all finished, they're fine. So we need to take them out and park them, because they're finished. That will help speed things up. Things like that weren't anticipated but they can be fixed now without having to spend millions and millions and millions of dollars to rebuild and not have any productivity and improvement during that building time.

Ms Martel: Can I ask what would be the estimated cost to redo the system?

Ms Longo: I've no idea, except it would be very many millions.

Ms Martel: Would that not have been looked at when you had a request for proposals in November 1996 for computer consulting services? It says, "To review the existing computer system, identify needs, make recom-

mendations." Would that issue not have been part of what people were asked to look at at the time?

Ms Longo: No, that RFP asked them to look at making improvements on the system we had, in the context of implementing the changes that came from the new legislation in 1997. That RFP did not ask people to design a new system.

Ms Martel: When has the FRO asked someone for a new design so we can get a good handle on what those costs would have been?

Ms Longo: They haven't.

Ms Martel: So how can you make an assessment that it would be—I don't even know how much you said—millions and millions and millions of dollars, without having had anyone take a look at that and provide you with some concrete information?

Ms Longo: I can't give you an assessment of what it would cost, except that a computer system of that size and scale would be in the millions.

The Chair: With that, the 20 minutes are up. The auditor wanted to make a comment before I go to the government side.

Mr Peters: Just to clarify, in 1994 we recommended that the office improve its computer system and ensure that the deficiencies identified are corrected. It was at that time the ministry that responded. I'll read directly from the ministry response. It says, "The ministry also believes that the current computer system must be replaced." Those were the words used, and those were used again in 1996. I appreciate the point you are making now. I just wanted to clarify for the record that you have decided to go to an incremental improvement, as opposed to a whole throwing out and redeveloping. I just wanted to clarify the record on that.

The Chair: Mr Martiniuk.

Mr Martiniuk: Considering that we have now been here for over four hours, no doubt the deputy and her staff are somewhat tired. Considering also that the opposition and the third party have had an extra turn, I think it has always been the intent that we would at some time adjourn to an in camera hearing to consider our report after hearing from the deputy. I would think this would be a suitable time. I would therefore move that we adjourn to an in camera session to consider the committee's report in regard to the FRO.

Ms Martel: Mr Chair, I disagree, because I would like to continue with questions. But I see the government has a majority here today, so I'd like a recorded vote.

The Chair: Any other comments? This is debate on the motion. Mr Peters, do you want to make a comment?

Mr Peters: I had a few questions that I wanted to ask in relation to some of the things, if I would be permitted to ask those questions before there is adjournment.

Mr Martiniuk: I would stand my motion down until you ask your questions, Mr Auditor.

The Chair: All right, Mr Peters; go ahead then, sir.

Mr Peters: For clarification I just wanted to understand some of the numbers that were given. One is on the staffing. At the time we conducted the audit, there were

120 full-time enforcement officers, or so-called client service associates, and 80 contract or temporary enforcement officers. You indicated that there has been an addition of 96. I was wondering how many of the 96 had gone into this enforcement area.

1520

Ms Karakatsanis: We will give you the numbers. There are currently 139 client service associates. Of the contract staff, some of those contract staff were hired as permanent employees. The 96 went both to additional client service associates and backups, assistants for the client service associates.

Mr Peters: So in total there were 200 at that stage. How many are there now in total, that is, taking full-time plus contract? You don't have to have the numbers right now, but if you could supply them I think it might help.

Ms Karakatsanis: I'm not sure we're counting the same categories. There are 442 staff now. As I mentioned earlier, some of the other staff are involved in enforcement activities, legal and other. I've given the numbers for the—

Mr Peters: The numbers I have are the numbers that you agreed were involved in the enforcement area at that time. That was 200. Maybe if you could develop new numbers, that would be—

Ms Karakatsanis: I can't tell you precisely how many of the financial—I mean, legal services is obviously involved in enforcement as well.

Mr Peters: The second question pertains to the \$275 million, the 24,000 cases that were turned over to a private collection agency. I just want to understand a little bit more about that, if you wouldn't mind. One is, does it continue—

Ms Karakatsanis: That's what is being proposed for the enhanced private collections.

Mr Peters: Oh, being proposed, OK. Thank you very much. But the \$275 million—the policy of the ministry continues to be not to calculate interest on these arrears. In other words, since these proposed arrears are \$275 million, they will not include any interest owing in accordance with court orders awarded to recipient people.

Ms Karakatsanis: It includes interest where that has been calculated by the recipient and provided to the Family Responsibility Office. We'd like to be able to calculate interest, but it's really not practical or cost-effective. We have orders that are all over the place in terms of interest, and we would require separate formulas for different kinds of orders related to interest. We are working to standardize formulas. You heard Mr Costen talk about our efforts in that regard. We are consulting with our colleagues across the country about calculation of interest. But those arrears include interest where the recipient has calculated the interest and provided it to the office.

Mr Peters: I see, because our quick calculation—over the last two years we found that 60% of the court orders included an interest component. If you assume 6% on the six months to three years, we're looking at potentially \$8

million that may be owing to spouses, on that calculation. It's three and a half years at 6%; three and a half years, average 1.75, at 6%; take 60%. It is quite an amount. I was just wondering if it could be considered in the new architecture, that possibly with the new technology in place interest would be considered.

The last question, you'll be happy to note, is that you mentioned that the \$275 million that's proposed is arrears where there has not been any payment.

Ms Karakatsanis: For six months.

Mr Peters: For six months to three years, not any payment. What activities are taking place on those, over the six months to three years, where there are insufficient payments, that they're still owing quite a bit of money but they have made some payments? I'm just wondering, are any of these planned to be turned over to the collection agency as well, or who is doing the collecting of those amounts?

Ms Karakatsanis: Family Responsibility Office staff will continue with the enforcement tools we talked about this morning and this afternoon.

Mr Peters: Thank you very much. Those were my supplementary questions.

The Chair: Thank you. We have a motion on the floor to adjourn to an in camera session to consider the committee report in regard to the FRO. Any further discussion?

Ms Martel: For the record, I think it's worth pointing out that the committee has already agreed that we would sit on March 1 without having any deputations before us, solely for the purpose of determining what we would put in our report. So we already have two days scheduled where this could have been done, and there is no reason for us to have to finish questioning here today. I regret that the government is moving this motion today.

The Chair: Just for the record, the schedule that I have, Ms Martel, is that for February 29, the environment, chapter 4, was going to be dealt with. On March 1, health, chapter 4, was going to be dealt with. But there was a discussion at the last committee, in general terms, that there may very well be times on these two days to deal with the committee report as well. I just wanted to correct that those days weren't specifically set aside only to deal with the committee report.

Any further discussion on the motion? All those in favour?

Ayes

Hastings, Johnson, Martiniuk, Munro.

Nays

Cleary, Martel.

The Chair: It's carried. So we move to an in camera session at this time.

The committee continued in closed session at 1526.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 17 February 2000

Journal des débats (Hansard)

Jeudi 17 février 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
Ministry of Finance

Comité permanent des comptes publics

Rapport annuel 1999
Vérificateur provincial :
Ministère des Finances

Chair: John Gerretsen
Clerk: Donna Bryce

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Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 17 February 2000

Jeudi 17 février 2000

The committee met at 1045 in committee room 1, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF FINANCE

Consideration of section 3.07, provincial personal income tax revenue and related credits and reductions.

The Chair (Mr John Gerretsen): Good morning. I'd like to call to order the meeting of the standing committee on public accounts dealing with section 3.07 of the 1999 annual report of the Provincial Auditor, dealing with provincial personal income tax revenue and related credits and reductions.

I'd like to welcome everyone here, particularly the individuals from the ministry. We'd like to start with a 15- to 20-minute presentation by the ministry, and after that there will be questions from the members of the committee. Good morning, sir.

Dr Bryne Purchase: My name is Bryne Purchase. I'm the Deputy Minister of Finance. Mr Roy Lawrie, is the assistant deputy minister of the tax revenue division. Mr Tom Sweeting is the assistant deputy minister, office of the budget and taxation. Mr Patrick Deutscher is the director of the macroeconomic analysis and policy branch.

I have a brief address I'd like to read into the record here. It's my pleasure to appear here today to address the observations and recommendations made by the Provincial Auditor in his report on the Canada-Ontario tax collection agreement. This is my first appearance before this committee, and I would like to take the opportunity to say that I have found my relationship to the Provincial Auditor, Mr Peters, to be very positive and helpful to the ministry while at the same time serving the interests of the Legislature. For this I am grateful to him and would like to say so publicly.

In respect of the matter before us, I can say that in general the Ministry of Finance supports the recommendations made by the auditor and actions have been taken on all of them. Action, of course, in this instance involves intensive and sometimes protracted negotiations with the federal government by Ontario and other provinces. However, we believe the record shows that we can and have achieved results.

To understand many of the issues raised by the Provincial Auditor, it's important to understand how the tax collection agreement works. In 1962 all provinces, with the exception of Quebec, entered tax collection agreements with Ottawa. Under these tax collection agreements, Ottawa agreed to collect and administer provincial personal income tax, to pay provinces the value of the personal income tax assessed, and to do so free of charge.

The provinces agreed, in turn, to impose a single personal income tax rate, calculated as a percentage of federal tax payable, to make their income tax acts parallel to the federal act and to provide Ottawa with the powers necessary to administer and collect provincial income tax, PIT.

The Ontario tax collection agreement was signed on April 24, 1962. Over the years, the federal government and the provinces have agreed to expand the tax collection agreement to include a wide array of provincial tax possibilities. For example, Ontario tax credits were introduced in 1972-73, the Ontario tax reduction in 1975, and high-income surtaxes, now known as the Fair Share health care levy, in 1986.

In 1999, Ontario was making use of a variety of tax policy instruments; for example, low-income tax reductions, income-tested credits, high-income surtaxes and economic development credits. Ontario also provides PIT credits for unincorporated small businesses for certain activities such as hiring co-op education students, unemployed recent graduates and persons with disabilities, and supporting child care.

Despite this increasing tax policy flexibility, however, there were and are still many restrictions. The only thing Ontario can change without the federal government's prior consent is the basic rate, currently 38.5% of the basic federal tax, and that rate is only supposed to be expressed in full or half points. In effect, the federal government has been using its monopoly control of tax administration to enforce what it deems to be appropriate tax policy at the provincial level. Nor do we have much control over federal administration. The tax collection agreement offers us no right to require certain audit coverage targets to ensure proper compliance. We do not even have access to the files or results on federal audit work in provincial tax areas.

With that background, I would like now to address the issues that the Provincial Auditor has brought to the fore in his report.

Let me address first the recommendation that the ministry negotiate amendments to the tax collection agreement so that "payments of Ontario personal income taxes are remitted to the province in the correct amount and on a more timely basis" or that "the ministry should seek compensation for the cash flow deficiencies for each year." There are two issues here: (1) the timing of federal payment flows to Ontario; and (2) the use of revenue forecasts rather than actual collection.

With regard to the timing of payments, as mentioned by the Provincial Auditor, the federal government announced a speed-up in the timing of PIT payments in 1998. We have now received updated data from the federal government that indicate that the speed-up has eliminated the cost to Ontario that had previously arisen from late timing of payments.

However, this still leaves the issue of using revenue forecasts to determine how much money the federal government should transfer to Ontario in respect of Ontario personal income taxes it is collecting on our behalf. This issue could be resolved, as the auditor has suggested, by moving to a system whereby the federal government transfers amounts as they themselves receive payments rather than on the basis of the forecasted amount. The ministry agrees that the advances in information technology may make it possible for the federal government to base its payments to Ontario on actual income tax collection. Accordingly, the ministry is currently actively pursuing this issue with the federal government, including the question of whether estimation of revenues generally results in lost revenue for Ontario.

Let me now turn to the related matter of interest penalties and bad debt. Under the tax collection agreements, participating provinces are paid on the basis of tax assessed, not actually collected. As a result, the federal government absorbs any bad debts arising in respect of provincial tax. In return, the federal government is allowed to keep any interest and penalties levied in respect of the provincial tax.

As noted in the auditor's report, the ministry estimates that at present the federal government may be benefiting from this arrangement by approximately \$50 million a year. Since 1997, the ministry has been pressing the federal government to collect the data necessary to determine the actual amount of any benefit. Therefore, I can only say that we agree with the auditor that the federal government should collect the required data to determine if there is an ongoing federal benefit, and that amendments to the tax collection agreement should be considered if this is the case.

Let me turn now to the matter of audits. As noted in the auditor's report, and as I have already noted, under the current tax collection agreement, the ministry has no right to establish minimum audit requirements or to receive information by which we could monitor Revenue Canada's performance in ensuring adequate compliance. Consequently, the province cannot be assured that the declaration of payment of personal income taxes, to which the province is entitled, are in the correct amount.

The ministry agrees that the recommendation has merit, and we are pursuing it as well with the federal government.

Turning now to the similar issue of related credits and reductions. The report recommended that more doubtful provincial property and sales tax credit claims be audited by Revenue Canada in order to reduce the incidence of false or inaccurate claims, and that a random sample from the remaining tax credit claims be audited.

The province has long recognized that the audit coverage of provincial tax credits is inadequate and has been working with the federal government since the early 1990s in an attempt to increase the audit coverage to 5% from its current level of 2%. In 1993, the province conducted a pilot project in which we conducted our own audits of property and sales tax credits. Although the project was a success, the federal government refused to allow Ontario to continue the pilot project since Revenue Canada felt that there was a potential for taxpayer confusion, with more than one tax administration responsible for personal income tax.

In response to our complaint, CCRA has now conducted a random sample of audits for the 1998 taxation year. The ministry is awaiting the results of the sample in order to review the compliance rate of the property and sales tax credit program. Also, in September 1999, the ministry entered into negotiations with the CCRA to increase the audit coverage of property and sales tax credits from 2% to 5%.

The CCRA has recently provided the ministry with a written cost estimate of slightly over \$1 million to provide an additional 3% level of audit coverage. With the results of the CCRA survey, we can determine the exact business case for the additional expenditure, and the increased audit coverage could be in place for the 1999 taxation year.

The ministry has also acted on the auditor's recommendations concerning audits of labour-sponsored investment funds and eligible small businesses. Four additional auditors were hired in early 1999. The ministry is on track to meet the 1999-2000 program goal of having each LSIF audited at least once every two years and every small business audited at least once.

Since April 1999, field audits have been completed on five LSIFs and 97 small businesses. The ministry has further developed its annual certificate of compliance reporting procedures for all registered LSIFs by supplying LSIFs with information from the ministry's database. Each fund is required to reconcile those figures and, where discrepancies exist, provide the ministry with reconciling data. As well, the CCRA conducted a review of potentially invalid claims in the summer of 1999. Of the 1,750 potentially invalid claims for the 1996 taxation year identified by the ministry, 952 were determined to be valid by CCRA. Reassessment notices were issued by CCRA for the remaining 978 claims, totalling over \$400,000 in September and October 1999. From now on, each year the ministry will be able to identify those claims with a high probability of being invalid and will

forward this information to CCRA within six months of receipt of each taxation year's data from CCRA.

I want to assure the committee as well that the ministry is acting on the recommendation to explore with the CCRA options to improve verification of Ontario tax reduction claims to ensure that Ontario tax reductions are only provided to eligible individuals and in the correct amount. In September 1999, the ministry began negotiations with the CCRA to this end. Verification of claims could be accomplished by computer matching of data from various sources such as T1 and TIC information, the federal child tax benefit program, the Ontario child care supplement program and both federal and provincial disability programs. The ministry is currently awaiting CCRA's response.

Finally, let me turn to the auditor's recommendation that the ministry determine whether the benefits under the tax collection agreement outweigh the restrictions and consider renegotiating the tax collection agreement in line with provincial interests.

As I have attempted to indicate in my remarks, we are in a state of almost continuous negotiation with the federal government on this matter. We can point to a number of accomplishments; for example, increased flexibility in the existing tax-on-tax system by the addition of a number of tax credits in the check-off box, the speed-up of federal payments in respect of Ontario personal income taxes, and the improved audit of Ontario tax credits and labour-sponsored investment funds. Recently, the CCRA has proposed what it refers to as a new management framework agreement that includes some aspects of performance reporting, not that those are necessarily wholly acceptable to us at this stage.

Perhaps the largest single accomplishment is the agreement by which the federal government will allow the provinces in the tax collection agreement to move to a tax-on-income system. This will provide substantially increased policy flexibility to the provinces which choose this option. The government of Ontario has already indicated its desire to have a personal income tax system designed to meet Ontario's specific needs. Since the auditor's report was prepared, the government has announced its intention to move to a tax-on-income system.

Although we have made a lot of progress, the job is not finished, and the minister and the Ministry of Finance are continuing to press Ontario's case with the federal government on a number of fronts; for example, improved auditing of the Ontario tax reduction and personal income tax returns, ensuring that Ontario is not put at a disadvantage by the policy on interest penalties and bad debt, and, above all, ensuring tax policy equality for Ontario; that is, equality with the federal government.

In conclusion, I welcome the report of the Provincial Auditor, which highlights the importance of the work that the Ministry of Finance has been doing over the past many years and is continuing to do to improve the tax collection agreement that Ontario maintains with the federal government. All of these matters are a matter of negotiation with the federal government. These negotia-

tions are ongoing and sometimes protracted, but we are, after all, dealing with a single entity that supplies its services to the government of Ontario. But we will continue to work to ensure that Ontario is not put at a disadvantage by our tax collection relationship with the federal government. Thank you very much.

1100

The Chair: Thank you very much, Mr Purchase. We have about 18 minutes left for each caucus before the noon-hour recess. We'll determine at 12 o'clock whether we want the delegation to come back this afternoon at 1:30. Today we're starting off with the NDP.

Ms Shelley Martel (Nickel Belt): Thank you for coming today. Let me start at the end and then work back.

The Minister of Finance certainly said to the finance and economic affairs committee that he was looking for a tax system to meet Ontario's needs. Could you explain to the committee, in terms of what the minister envisions in this regard, what concrete changes would have to be made to the tax agreement to allow that to happen—specific amendments or enforcement of what is already there or items that may not clearly be enforced, in your mind, with respect to what Ottawa is doing.

Dr Purchase: The specific ideas that the minister may have with respect to how the government will utilize its powers under the new tax-on-income arrangement, I can't, of course, divulge. That's for the minister to tell you when he feels it's appropriate.

I can tell you, however, that under a tax-on-income arrangement, it will be open to the province to determine its own tax brackets, its own rates within those brackets, and it will have the power to have a set of refundable or non-refundable tax credits. We'll move from a single percentage rate calculated on basic federal tax to a much more fulsome policy flexibility with respect to the tax system in Ontario.

Ms Martel: If the overall agreement was due to be renegotiated in 2001, as the committee was led to understand this morning, has the minister entered into those negotiations now with the federal government with respect to the changes Ontario would like to see?

Dr Purchase: We have been in constant negotiation, not on the details of what we would like to see necessarily at this stage, but certainly in preparation for that.

Ms Martel: You mentioned earlier the issue around the delay in payments, which the auditor pointed out was on average 20 months after all of the income tax was received by Revenue Canada. It has now been changed, and if I heard you correctly there certainly has been a speed-up of payments. What would be the delay now in our receiving a final accounting?

Dr Purchase: The final accounting for the year? We're still operating on the basis of federal forecasts. They still pay us on a forecast basis. What we have achieved, compared to the prior payment basis, is a speed-up when they deliver the money. But because we're working on the basis of forecasts, the numbers can still be wrong.

Ms Martel: On average it was 20 months. What has that dropped to now in terms of when we receive it?

Dr Purchase: Patrick?

Mr Patrick Deutscher: In terms of the final lag between the settlement, between the federal government and their payment to us, or after they've made their initial round of estimates based on their forecasts, that really hasn't changed. It would still be at the present time the same for the lag between the closing of that tax year and the final receipt of money by Ontario. So at present it's still unchanged. Unless we went to a collection-based system, that really wouldn't be affected.

Dr Purchase: If I could, the improvement we have accomplished here is simply that their payments start earlier. But again, as I say, it's based on a forecast; it's not based on actual collections. The auditor has recommended that we look at moving to an actual collections basis. As I indicated in my remarks, we're certainly doing that to determine the advantages to Ontario of moving there. What it would do is simply remove the whole question of forecast. If we went to an actual collections basis, we wouldn't have to worry about forecasts, and it would become academic about bad debts versus penalties. There are some very significant positives, but there are also some negatives to moving to a collections basis, and we are trying to determine the net advantage to Ontario of doing it.

Ms Martel: Can I ask how the ministry is proceeding to make that determination?

Dr Purchase: We're trying to track down exactly what it would mean. Right now the big advantage of getting money on the basis of a predetermined payment schedule is that you know exactly when the money is coming to you. It's still based on a federal forecast of what is owing, but at least we know when it's coming, and there are certain cash management implications of that. If we move to a collections basis, the money will be a lot more variable when it comes, and that increases our cash management problems. So we have to take into account the fact of getting the money in a nice, even, steady, predictable flow versus getting the money in a very uneven, unpredictable series of monthly payments.

There are also some administrative costs to employers to implement a collections-based system, because they have to identify for Revenue Canada the kind of monies that would be payable in respect of their employees in Ontario versus their employees across the country and so forth. There are a number of issues, and we're trying to review a catalogue of all the issues and then review each one. Then we'll present a recommendation to the minister in this regard.

Ms Martel: Actually, at this point the onus is on Ontario to make a determination of which direction you want to move in, and then you can go to the feds to proceed with further discussions.

Dr Purchase: We're constantly in discussion. Even though we find them very difficult to deal with—after all, there's no other supplier here; we're just dealing with them—it's not particularly acrimonious. We do talk to

them regularly about our needs and about what they can and cannot do. This is a continuous, ongoing negotiation, as it were, and we're actively involved in that right now on this issue.

Ms Martel: Can you comment on how simple or how difficult it is to receive information from the federal government and what kind of response you get from the feds when you try to provide input? For example, if you look at the forecast, the auditor has told us that the federal government bases its forecasts on a number of indicators which may or may not be particularly relevant to Ontario, and there's no obligation for you to sign on or sign off. The federal government can continue with its forecasts whether or not Ontario likes that.

When you get a forecast now, or in the past, what has the ministry done with that? Have you tried to make changes, have you approached the federal government or have they dismissed you? What route have you taken when you got a forecast you may very well disagree with?

Dr Purchase: I'll ask one of my colleagues to respond to that.

Mr Deutscher: In general, I would say that I have never known the federal government to make a change to their forecasts on the basis of provincial comments. We do engage in discussion with them in various forums, but I have never, ever seen them make a change to their numbers. That being said, they are in the same boat as other forecasters, looking well into the future when people do their tax returns. It's not my sense that there's anything particularly malicious in what they're doing, but they have made big forecast errors.

Dr Purchase: If I could, forecasting is not an exact science. After all, we're asking people to tell us what the future is going to be. No matter how you cut it, that's what it's all about. Needless to say, people will have different estimates of what the future is. But I think the real issue here for us is that when we go to the federal government, they run the tax collection system and we have to complain long and loud and hard to get them to listen to us. It's as simple as that. They might say, "Yes, that's very interesting, but we're accountable, we're in charge and goodbye."

1110

Ms Martel: Do you see any of that changing with the establishment of the new agency to collect taxes? My second question would be, what kind of input has Ontario had in the establishment of that agency and the technology that might be used in any of the details which, in effect, could make things better than they seem to be now?

Dr Purchase: I think there are some benefits from the establishment of a new agency. Perhaps they're not near what one could have hoped for. From our perspective, the way we would like them to act would be like any other supplier to us in the private sector, wherever they are, and be responsive to customer needs and desires. We just want them to act like they were actually in a business and doing what we ask them to do. But I don't think we're

near that at the present time, notwithstanding that I think they are trying to make more efforts in that regard than they have in the past.

My own experience with these issues goes back 25 years. This has been an ongoing struggle for Ontario—and the other provinces involved also feel the same way—with the federal government in respect of the tax collection agreement to get them to make changes. They only do so with great reluctance, it seems to me. On the other side of this, as I said in my remarks, I think this government has been an important part—perhaps the most important part—in the achievement of a rather remarkable breakthrough, the movement to a tax on income system. That is something we've been trying to get for years, and they did it.

Ms Martel: Let me ask about the interest payments that Ontario has not seen. The auditor made it clear earlier that we now have the picture for 1998, although I don't have the actual figure for the underestimation in millions of dollars. Do you have that figure for the 1998 tax year?

Dr Purchase: I'm sorry, could you repeat that?

Interjection: About \$110 million.

Ms Martel: I'm working from the auditor's report, which listed the underestimation of revenue forecasts and the associated interest costs. It only went from 1995 to 1997, and outlines the tax year and the underestimation by the federal government of what revenue should flow to Ontario. In terms of where we were when this audit was completed, the auditor estimated that we had lost interest payments on the order of about \$189 million. With the new figures for 1998, we should be closer to about \$300 million in lost interest as a result of when money actually flowed to Ontario.

My question is, what kind of discussions have you been having with the federal government around that interest cost? Clearly that's a fairly significant amount of money that Ontario should otherwise be entitled to.

Dr Purchase: That's part of our ongoing discussion with them about monies owed to us. Certainly in respect of all these years, we are continuing to discuss interest costs with both the CCRA and the Department of Finance.

Ms Martel: Do you make some kind of formal claim to the federal government with respect to interest lost? Do provinces do that?

Dr Purchase: We haven't recently done that, but I believe there was a formal claim at one time. But we haven't recently, mainly because we are constantly addressing this issue. We are now engaged, if you like, so we don't send rockets every once in a while to get their attention. We have their attention on the issue and we continue to discuss the issue with them.

Ms Martel: Pursuing the issue around audit requirements and essentially the monitoring of compliance, can you give this committee some idea of what you would like to see with respect to what the federal government provides you in terms of information with respect to audit requirements, coverage etc?

Dr Purchase: Maybe I could ask Mr Lawrie to respond to that.

Mr Roy Lawrie: The CCRA has proposed what it calls a management framework agreement with each of the provinces under which it plans to provide certain performance indicators for its administration of provincial income tax. We see that as an opportunity, in negotiating that agreement, to put in some of the information that we require to do what the Provincial Auditor has suggested.

Ms Martel: Can you elaborate on what that information is?

Mr Lawrie: So far, they've signed one with Nova Scotia. I think that's the first and only one to date. We have a first draft from them and we should shortly be providing our input into that; we want some changes to it. I believe that all of the other agreeing provinces are also negotiating the framework at the same time as us. So it will take some time.

Ms Martel: Just so I'm clear, the framework agreement would involve audit coverage?

Mr Lawrie: It can involve things like that. If you like, it sort of sets the scene, puts in place all of the old exchange-of-information agreements, memoranda of understanding etc between the provincial tax administrations and Revenue Canada, identifies the CCRA as its successor and proposes meetings to discuss how provincial income tax is being administered, a sort of report card, if you like, by way of information on certain indicators which will be discussed with the provinces.

Ms Martel: The deputy had told us earlier that you have a figure now for a fee, I think it was in the order of \$1 million, for the federal government to do increased audits, to move from 2% to 5% coverage. Was it a \$1-million cost? Just so I'm clear, that was for audits of property and sales tax credits? Have you made a formal decision that you pay that fee in order to get that increased coverage?

Mr Lawrie: We're likely to make that decision very soon. The federal government provided that estimate to us just under two weeks ago. We'll be responding to them very shortly, and the likelihood is that we'll take them up on it.

The Chair: Thank you very much. That's the 18 minutes. The government side.

Ms Marilyn Mushinski (Scarborough Centre): The Provincial Auditor has talked a considerable amount about the amount of money that's not only being delayed in being returned to Ontarians and their communities, but my understanding is that there's a considerable amount of money that's never returned by the federal government in the whole field of interest and penalties. While our government has been setting some pretty forward-thinking tax policies, like the OTR, I'd be interested in knowing exactly how much the Ontario government has been shortchanged by the current tax arrangement with the federal government since 1995, which was when we were first elected. Do you have that information?

Interjection: Back to 1990.

Ms Mushinski: Well, I'm interested in the track record for our government.

Dr Purchase: We can get that information for you. I think we have several years.

1120

Ms Mushinski: OK. Now, my understanding is that Mr Eves, at the beginning of the standing committee on finance and economic affairs, discussed the government's desire to implement a made-in-Ontario tax-on-income system, and you alluded to it in your opening remarks. Could you tell this committee how such a move to a tax-on-income system will assist in resolving some of the problems that have been identified by the Provincial Auditor?

Dr Purchase: There are many potential advantages. One is that it provides the government of Ontario the opportunity to have different brackets. There are currently three federal tax brackets. If Ontario wished to have different tax brackets, then it could do so. We can have a different—

Ms Mushinski: Before you go any further, I'm not completely familiar with how that could be established. Could you enlarge on that for me?

Dr Purchase: Rather than have me do it, I'm going to turn to the expert, which would be Tom Sweeting, to describe that to you.

Mr Tom Sweeting: In terms of the establishment of a tax-on-income system, currently when Ontarians calculate their Ontario income tax, basically what they do is go through a process to calculate federal tax. How much is your taxable income? There's a calculation to go through for how much is your taxable income. There's a series of tax brackets applied to it. On the first amount of taxable income, you pay this amount; on the next amount, you pay this amount. You calculate a federal liability. There are certain federal credits that are deductible. There's a credit for a basic personal exemption. There are credits in respect of spouses and those kinds of things that then reduce the tax liability. It creates an amount that's called basic federal tax. Then Ontario comes along and applies a percentage to that number that is owed to the federal government.

Under the tax-on-income regime that the minister has indicated Ontario wishes to move to, essentially that calculation of taxable income would be the same. You'd calculate how much your taxable income is. Then you'd calculate what your federal tax is, using brackets and rates set federally. Then you'd calculate what your Ontario tax will be, using brackets and rates set by Ontario. Then you'd take an amount off the federal tax for credits that they have determined are appropriate for personal exemptions, spouse etc. You'd take an amount off the provincial tax in a similar way in the amounts that the provincial government has determined would be appropriate to take off, and then you'd sum the two together to pay your tax.

Ms Mushinski: Obviously the provincial government would be better off with having that flexibility, is what you're saying.

Mr Sweeting: The provincial government would be better able to set tax burdens for Ontario purposes that were consistent with the needs of Ontarians and the objectives of the government.

Ms Mushinski: I think Mr Maves has some questions.

Mr Bart Maves (Niagara Falls): During your presentation, I thought you mentioned that the payments from the feds had actually been sped up. Did I hear that right? Does that mean there is no longer that same 20-month lag, or is it still a 20-month lag in payments?

Dr Purchase: There are essentially two issues that I tried to put. There is the fact that the federal government uses forecasts to determine our payments. Because they use forecasts, there is a final reconciliation ultimately. That's the 20-month lag. There is another issue; that is, in terms of their schedule of payments, they pay us every month, four times a month.

In terms of that schedule of payments, we've determined that if they sped up those payments, they would reduce the interest loss we were incurring. That's a separate matter from the other forecast matter. We have not resolved that issue. That continues to be an outstanding issue vis-à-vis the federal government. Given that we accept their forecast, and there's not much we can do about it, the fact of the matter is that they improved their payment schedule for a given forecast, and that reduced our interest loss associated with them.

Mr Maves: Following on that, then, have you at the ministry specifically sought from the federal government compensation for this cash flow deficiency, and if so, what's been their response?

Dr Purchase: Yes, we've continuously tried to get compensation for this, so far without success. I should point out that the forecast thing certainly in recent years has worked to our disadvantage. But in the early 1990s it worked to Ontario's advantage; ie their forecasts were overestimates of the amount of money actually owing. It's only been in recent years, where their forecasts have proved to be underestimates of the amount of money owing, that the disadvantage or the burden of advantage has shifted.

Mr Maves: Do you have estimates of what the advantage for Ontario was in those years?

Dr Purchase: In the early years, yes, we do. From 1990 to 1994, Ontario was overpaid by \$3.3 billion, with estimated interest savings of about \$469 million. Currently, with the years that we have—

Interjections.

Dr Purchase: This was a period, as you know, when the economy was declining dramatically and revenues to the government at the time were falling dramatically. The federal government had a more positive estimate of what was going to happen than what really did happen.

From 1995 to 1997, there was \$2.1 billion in underpayments from the federal government relative to what actually was owing. We estimate interest costs associated with that to be \$189 million. So when we make the final determination for 1998, we would add that, presumably.

Mr Maves: As I understand it, within the agreement, the federal government agrees to absorb bad debts, debts they can't collect. None of those estimates include bad debts. My understanding from the Provincial Auditor's report is that we have no idea of the amounts of that bad debt. Is that still the case or is there going to be a process by which we can find that out?

Dr Purchase: Maybe I could turn to Mr Sweeting again to respond to your questions.

Mr Sweeting: We have had a lot of discussion with the federal government around the issue of bad debts versus interest and penalties. There has been information exchanged around this. Essentially, it's not information that's easily accessible by CCRA; they don't actually carry information of that fashion. It's something that they have been going and trying to extract slowly to try and help grapple with this question. The federal government disagrees with our view. The auditor expressed in his report that the Ministry of Finance is of the view that we are short in the order of \$50 million. There's that much more interest than there is money lost through bad debts. The federal government doesn't agree with that. We are currently debating with them the proper basis for assessing that. Without getting into a lot of detail, we believe it's important to use tax year information; they've been providing information on a fiscal year basis, which lines things up differently. So we're still in the process of trying to come to some sort of suitable estimate from our standpoint that's consistent with the tax year information. We talk to them regularly, we ask for information and we are still trying to gain sufficient information on a tax year basis.

Mr Maves: Have you been able to put a guesstimate on it?

Mr Sweeting: Well, \$50 million is our guesstimate currently, in terms of what we believe is the excess of interest and penalties over bad debt.

1130

Mr Maves: No, no, I'm sorry. I meant a guesstimate on the bad debt.

Mr Sweeting: On the bad debt itself, I'm not sure.

Interjection.

Mr Sweeting: I'm told it's a net basis, the amount of bad debt itself versus the amount of interest and penalties.

Mr Maves: OK, I understand. You spoke in your presentation about restrictions that the federal government places on Ontario with respect to our government's tax administration and tax policies. Can you elaborate on some of those restrictions they've put on?

Mr Sweeting: Sure. Certainly the history of this government looking to make changes to its income tax system has found situations where the federal government has refused to implement moves that the government felt were appropriate. The government was elected in 1995 with a structure for a fair share health care levy, which was a very particular way of generating additional revenue from high-income taxpayers as a compensation for elimination of the employer health tax on the first

\$400,000. The federal government would not implement the structure that was proposed and as a result a compromise structure had to be determined in order to do that.

Quite recently, for example, we've been in the process of looking to produce a more explanatory statement for taxpayers about their tax and their Ontario tax burden and how that's changed over time as a supplement and complement to the information received through the notice of assessment process that you get when you get back, in most people's case, your refund or your information from the federal government when you file. We haven't been successful in getting that implemented in a way that would be appropriate, despite the useful information that it would be for taxpayers.

Certainly the last budget announced Ontario would be looking to introduce a tax credit to provide benefit with respect to stock options earned by certain kinds of employees. The federal government has told us at the staff level that would not be something they would implement through the tax collection process. So we have a history of difficulties.

As the deputy pointed out, they have adopted certain kinds of credits and there have been things added to the tax system that benefit Ontario taxpayers that weren't there before. But all of those had to be approved by the federal government. Ontario cannot simply say: "I'd like to have that. Put it on." It has to be approved.

Mr John Hastings (Etobicoke North): My first question, Mr Purchase, would be, what is the difficulty we have had with the source and scope of the estimates the feds provide us that you or your staff have experienced? Is it the range?

Dr Purchase: Typically in recent years the estimates have proved to be underestimates, and there's not much we can do about it. It doesn't really matter what we think. As Mr Deutscher was saying earlier, it's not his experience, and he's had more recent experience than mine, or longer experience than mine recently, that they ever change in response to what our views are. It comes back to this fundamental question of forecasts. It's tough. We can have duelling forecasters here. Often people have quite legitimately different perspectives on what might happen. As long as we rely on forecasts, we will never resolve this. We will go on fighting with them. It would be an unusual situation that we would have the exact same forecast.

I don't know all the details, maybe Mr Deutscher does, about how the federal government does its personal income tax forecasts. Quite frankly, I can say I have many years' experience in forecasting, and even if I did, I could probably have quite a continuing debate with just about any economist or you name your forecaster about these things.

The real resolution might be in moving to an actual collections-based system. If the other parts make sense to us, the great advantage of that is that this will remove once and for all this irritant. This continuing argument that goes back and forth between officials about forecasts

will be over, and maybe there will be a great saving just from that alone.

Mr Hastings: Does this go back to the root cause of the original 1962 tax agreement and the lessons we've learned over the years regarding that particular document and all the changes that have been made? Do you see us moving, sometime in the next century, to a new agreement that will deal with these issues in a way of integrity and get them off the table so you can get on with the problems we have in other areas?

Dr Purchase: Yes, sir, I do. Again, I'm quite heartened. We've come a long way since 1962. I think in 1962 there was a very different federal attitude towards the provinces. I think the federal government takes the province of Ontario and the other provinces much more seriously now than it did in the 1960s. The Ontario government spends over \$60 billion a year; we only get \$5.6 billion or thereabouts from the federal government. That's a very different situation today than it was in the 1960s. I think that's beginning to be reflected in the attitudes of federal officials and the federal government generally towards Ontario. So I believe that we're on the right track towards getting more co-operation.

Mr Hastings: Another question I'd like to pursue is, and we may have to deal with it this afternoon, to what extent has the ministry looked at the Quebec experience in terms of how they've gone about collecting their own taxes? Tax on income? Are there significant advantages you see in the proposal we have, and how does it differ or is it similar in terms of the downsides as well?

Mr Sweeting: I could certainly speak from the standpoint of tax policy and tax policy flexibility. We have looked often at the Quebec situation. Quebec in effect has had tax on income since the 1950s, the system that we're looking to move to as a province and how they've been able to set their own brackets, their own rates. They are able to do more than tax on income would allow. They actually have a full partnership in that they can also determine how items will be brought to tax, which is not something the federal government is currently offering. But it has been indicated that from Ontario's perspective we should be moving to a system that does allow full partnership of the provinces with the federal government.

Quebec has utilized its flexibility to do a variety of things. Its brackets are different than ours are now. It has made choices about how it wants to distribute its tax burden, and it can do it a lot more directly and straightforwardly and clearly than we're able to do and have been able to do historically in Ontario. They haven't chosen, to be frank, to set taxable income much different from what's set for federal purposes. But they've had the ability over time to make that determination and decide if the federal definition is appropriate or not, and that's again something that hasn't been available to Ontario. So what's being offered under the latest round of negotiations with the federal government moves us towards Quebec's situation but doesn't get us all the way to that situation.

Mr Hastings: Does it have to be tied in to a new tax agreement, or can we work out something on our own situation, aside from the existing tax or proposed tax agreement?

1140

Mr Sweeting: There would have to be a new collection agreement to govern the specifics of the arrangement. The tax collection agreements—actually the federal government has one with each province—are quite similar in their structure. But under the new arrangement, that effectively has to be authorized through Ontario legislation that will reflect the policy intention the government comes to with respect to how it wants to tax in the tax-on-income regime, and authorize the continued collection under the basics of the new tax-on-income arrangement. The agreement will be improved and, as the deputy said, there are a number of other areas we would hope to see improve within the tax collection agreement as well.

Mr Gerry Phillips (Scarborough-Agincourt): I am very interested in this subject for a couple of reasons. One, as you know, is that I kind of deeply resent the fact that we the public don't get what I regard as necessary information on our revenues, and the solution to this would be helpful in that. The second is that, as I listen to the debate, my conclusion is that it has cost Ontario \$300 million in lost interest over the last five years and the federal government has been unwilling to co-operate with Ontario in resolving this issue. It's a substantial issue, involving a lot of money, that has to be resolved.

I want to pursue what Ontario has done, because I see that there will be a public debate on this, perhaps having the federal agency in to discuss it. First, one way of partially solving this would be to change the revenue estimates the federal government provides to you. I gather from your comments that you have said to the federal government when they sent you these revenue estimates, "We disagree with these, we think you are low and we believe we should have a higher revenue estimate." You have communicated that to the federal government, and they have simply said: "No, we're not going to accept your view on it. We're going to use our estimates."

My question is to confirm that has happened in the last two or three years: You have taken the federal estimates and said, "You're wrong," you have sent them a letter or communicated to them that they are wrong and they have ignored it. The second part is that it may be useful for the committee to see that correspondence, to see what communication they have ignored.

Mr Deutscher: That was probably my comment. There are no letters. It is strictly in regular meetings with the federal government that a discussion takes place between the federal government and all the provinces.

Mr Phillips: So for something that's worth \$300 million, you wouldn't have said to them, "We think you're wrong for these reasons and we are requesting that you increase your estimate"? You have not documented that with the federal government?

Dr Purchase: No. There is an exchange of correspondence between the deputy in Ontario, as I recall, and the federal deputy at various points, and with the minister constantly raising the issue with his counterpart, Mr Martin. This has been very much and constantly under discussion and review with our federal counterparts.

Mr Phillips: But, Deputy, are you telling the committee that you have told the federal government you disagree with their estimates over the last two to three years, that you believe they have estimated low and you've quantified that for them? I just want to be sure that—

Dr Purchase: No, what we have done is said repeatedly that they owe us money in respect of past underestimates.

Mr Phillips: With all due respect, Deputy, you're not answering the question. We understand they send you the estimate three times a year. Have you informed them when they sent you the estimate that you disagree with it, that you think it's too low and should be a much higher number?

Dr Purchase: No, I have not done that in my year there. I haven't done that. As I say, our forecasters are meeting constantly with the federal government and exchanging views on forecasts.

Mr Phillips: Correct me if I'm wrong, but you do have an opportunity to tell them they're wrong. I would have thought that if you thought they were wrong you could say: "Listen, we told them every year for the last three or four years that they're wrong and they owe us more money. Their estimates are low." But you have not told me that you may in hindsight have said, "You owe us more." I would have thought that when they sent you those estimates you would have communicated to them that you believed they were incorrect, but you haven't done that.

Dr Purchase: I haven't done that directly.

Mr Phillips: I assume you're speaking on behalf of the ministry.

Dr Purchase: I'm saying that if you are asking me to say to you that I have written a letter to my federal counterpart—

Mr Phillips: No. I'm asking, on behalf of the ministry, has the ministry officially told—

Dr Purchase: My understanding is that Mr Deutscher just answered your question; that is, he has regularly raised the issue.

Mr Phillips: OK, fine, thank you.

You have said you believe the solution would be that they remit the money to you on collection. Once again, I assume you have made the case in writing to them about wanting the money remitted on collection, you have made the arguments why you want that and they have responded to you saying, "We are not going to do that."

Dr Purchase: No, what I said in my remarks on the matter of collections is that we are discussing the issue with them. Before we make a formal request of the federal government to change fundamentally, we want to make sure we fully understand the implications for our-

selves. I tried to point out in an earlier question that there are some issues associated with that. For example, there are some additional burdens in reporting arrangements that would be borne by employers, and there are cash flow implications for the province of Ontario. There are some advantages.

But I also said that I agree it does seem to be one way of cutting through this Gordian knot of forecasts. As I pointed out to the committee, and as we pointed out to the auditor, there was a situation in the past where the federal forecasts were overestimates of what was owing to us. Currently there are underestimates. They will come back and tell you: "We overpaid you one time, and we underpaid you another. There probably is a balance."

All I'm saying is that it's true, it's a fact, and that it looks like we could put this behind us and solve the whole thing if we went to a collections basis. But I can't make that determination until I know exactly the full implications.

Mr Phillips: My problem, Deputy, is that I came into this session thinking that the dastardly federal government won't do what Ontario wants them to do. They consistently provide a low-ball estimate on the payments and ignore the advice of the provincial government and the provincial government has asked them to move to a collection basis and they have steadfastly refused, and neither of those things has happened.

Dr Purchase: No, we have not asked them to move to a collections basis. What I have said is that I agree with the Provincial Auditor that we should look at this possibility and that when we have finally determined that this is the best way for us to go, at that point we will ask them to move to a collections basis.

Officials have had, and maybe can describe for you, discussions with the federal government. We think it's technically feasible, but a final determination hasn't been made.

Mr Phillips: You can understand the difference between my perception coming in and what I'm hearing now, which is that the provincial government hasn't done either of the things I've said: blasted the federal government for an estimate we disagree with, or asked the federal government to move to a collection basis.

I want to just update myself—

Dr Purchase: If I could repeat, we have repeatedly and vociferously said to the federal government that they owe us money in respect of recent underpayments. I don't think we've misled anybody about the fact that we have aggressively pursued this issue with the federal government. What we haven't yet done is say to them, once and for all, that we want to move to a collection basis.

1150

Mr Phillips: It might be helpful, if it's possible, to get that communication where you've said to the federal government, "We think you are negligent in paying us our money."

Dr Purchase: I don't know. Some of that involves correspondence between ministers. I'm not going to

make a commitment that I can produce that for you. You have my word that it takes place, but I'm not necessarily going to produce all the correspondence for you. I can assure you and members of the committee that letters have gone from both the deputy minister in Ontario and from the minister, and that every time the ministers of finance meet, or many times in my experience of 15 months or so when they have met either formally or informally, or on the telephone, issues like this arise.

Mr Phillips: I hear your answer.

On the status of the Canada Customs and Revenue Agency agreement, has Ontario made any agreements with the agency? Are we in the midst of negotiations with them? Where does that stand?

Dr Purchase: We have not formally negotiated a new arrangement. I think there are some sub-arrangements that you do, Roy. Do you want to address that issue?

Mr Lawrie: When the CCRA came into existence, it took over all the existing agreements that the province had with Revenue Canada. Since that time, they have suggested and indeed sent us very much a first draft, a sketch if you like, of what they call a management framework agreement. This would basically set out the relationship between provincial tax administration and the CCRA and would also provide for certain information, particularly about personal income tax and how the CCRA collects and administers it, to be given on a periodic basis to the province and for regular meetings to take place between tax executives of the CCRA and of the province to discuss the results of the CCRA's administration of PIT.

I think the ball's in our court, actually. We are due to send them back our suggestions for some of the things we'd like to see in the agreement. But I have to emphasize that the agreement is only with respect to information; it's not with respect to the province being able to direct the CCRA to do more audits of a particular kind of taxpayer, because under the tax collection agreement that's the sole prerogative of the federal government. So it's an information agreement only.

Mr Phillips: But is this the opportunity for us to resolve the outstanding issues, if we believe we should be paid on collection, that we use this opportunity; if we believe that we need more audits, that we put that in? All of these things, it seems to me, if they're going to be handled by this agency and we're signing an agreement with them, we should be incorporating these things.

Dr Purchase: What we have moved into a model of is improvements by degrees, I guess, in which we get one thing at a time. We haven't yet achieved the stage where we can say: "Let's get it all right now. Let's sit down and have the entire thing negotiated." We tend to make progress, as I say, by degrees. We get one agreement, and then we work on another issue. The federal government hasn't offered us an opportunity to sit down and do a comprehensive "Let's rewrite the entire thing."

Mr Phillips: Have we asked them for it?

Dr Purchase: We're not even sure that that's necessarily the best way to proceed at the present time. As

long as we're making progress on individual items, which I believe we are, then I don't know that it's worth it to sit down with them and say, "Let's have everything on the table," at the present time.

Mr Phillips: I have trouble accepting that. If this is a new agency being set up with a new board, the auditor has indicated \$300 million worth of lost money for the Ontario taxpayer and we've got what you regard as serious problems, I would have thought this is the perfect opportunity, not something that we would put on the back shelf and deal with somewhere down the road.

Dr Purchase: Again, the approach that we have taken to date is—we are in continuous negotiations, but it's not like a labour negotiation in which you're sitting down and saying, "Here's the entire range of issues, and we're going to resolve them all in this one negotiation." It just doesn't work out that way. We resolve them sequentially. We are constantly in negotiation about everything, but we only make progress by degrees on any specific issue.

The Chair: You have one more minute.

Mr Phillips: I'm not sure how to proceed because we're in public accounts, but I guess we have a difference of opinion. I think that when we're setting a new agency up, a new board, we want to set the ground rules, it's the perfect opportunity. If these things are as serious to the provincial government as they appear to be, my belief is that somehow or other we have to find the vehicle that we get this thing off on the right foot and not institutionalize problems. I realize the minister, you and the ministry feel that it's appropriate to proceed this way, but I think we're missing the opportunity. I choose to at least question if not disagree with you on that.

We have to sign an agreement with them? We have to put in legislation dealing with it?

Mr Sweeting: Yes, certainly to do with the structure of the tax system under tax on income, and there is officializing through the tax collection agreement process. So there is legislation and signatory elements associated with implementing tax on income.

The Chair: OK, that's it. The auditor wanted to make one comment with respect to a comment that was made.

Mr Erik Peters: I would like some clarification of taking over the contract. Just to clarify, we discussed the CCRA in the audit community, and there was one statement made to us that's slightly at odds with what was said here. The statement was made that the actual agreement continues to be an agreement between the two governments and that the agreement with the CCRA would be an agreement to administer that tax agreement. The statement that there is actually an agreement between the province and the CCRA only pertains to the administration of what would actually be an agreement between the federal government and the province of Ontario. Is that your understanding?

Dr Purchase: Yes, Mr Peters, that's correct. If we're talking about the tax collection agreement, we don't really negotiate with the CCRA; we negotiate with the Department of Finance. But on a lot of technical matters, effectively, we're talking continuously with the CCRA as

well; for example, Mr Lawrie would be dealing with technical people on the matter of audits and so on and so forth. We don't go through the Department of Finance to get down to that level of detail.

On the matter of policy, it is clearly federal policy to provide this service to the provincial government only if you comply with certain fundamental rules that they set vis-à-vis the tax collection agreement. These rules are not rules that are written into the Constitution. The province of Ontario has every right in law to have any tax system it pleases with respect to the provincial income tax. It is not a question of us not having the legal authority; it's just that, as long as we use the federal administration, these are the rules that are going to apply.

The Chair: We had a request earlier as well, Dr Purchase, with respect to whether you would be prepared to table a copy of the 1962 agreement together with any amendments thereto. This was a request that was made at the in camera session.

Mr Sweeting: I don't think that should be a problem. We should have that for sure.

The Chair: That can be done? OK, thank you. Then we stand in recess until 1:30 this time.

Mr Maves: Chair, I don't think we have any further questions; I don't know if the other members do.

The Chair: You don't have any further questions, Ms Martel? No. The government?

Mr Maves: We have no further questions.

The Chair: The Liberal caucus? No. OK.

Ms Mushinski: I move adjournment.

The Chair: We can move adjournment, but we have to give some direction to the researcher with respect to the items. Do you want to deal with that on an in camera basis very quickly before we adjourn?

The public session is adjourned until tomorrow morning at this time. If the members could just stay for a few minutes.

The committee continued in closed session at 1202.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Friday 18 February 2000

Journal des débats (Hansard)

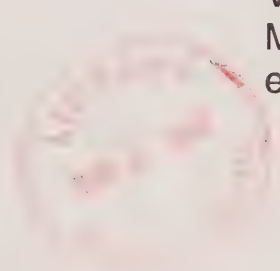
Vendredi 18 février 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
Ministry of Health
and Long-term care

Comité permanent des comptes publics

Rapport annuel 1999
Vérificateur provincial :
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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Friday 18 February 2000

Vendredi 18 février 2000

The committee met at 1045 in committee room 1, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF HEALTH
AND LONG-TERM CARE

Consideration of section 3.08, Cancer Care Ontario.

The Chair (Mr John Gerretsen): Good morning, everyone. I'd like to call into session the standing committee on public accounts to deal specifically with section 3.08 of the 1999 annual report of the Provincial Auditor dealing with Cancer Care Ontario. I understand this morning that we have two delegations with us, one from Cancer Care Ontario and the second from the Ministry of Health and Long-Term Care. You will be given an opportunity to make a presentation first. If you can keep that as short as possible, we'd appreciate it. Then we'll go into rotation, starting with the government side, in asking questions of either one of the delegations. If before speaking you could identify yourselves, we'd greatly appreciate it. It would make it easier for Hansard as well. Good morning, gentlemen. You're Mr Shumak?

Dr Kenneth Shumak: Yes. Good morning. I'd like to introduce my colleagues, Dr Richard Schabas and Dr Tom McGowan, who will be with me representing Cancer Care Ontario.

Thank you very much for inviting me to appear before your committee and giving me the opportunity to provide Cancer Care Ontario's response to the 1999 report of the auditor. We welcomed the report when it was released in the fall and I'm pleased now to have the opportunity to speak to the auditor's findings.

I hope to make you aware of some of the work Cancer Care Ontario has undertaken and some of the progress we've made since the auditor's report was released in improving the province's cancer services. Let me start by saying that the many challenges we currently confront in the cancer system did not happen overnight. Accordingly, a sustained effort is going to be required to address them adequately. But today I'd like to assure you that a solid foundation has been laid. If we can continue on this path, I'm confident Cancer Care Ontario and our many partners will be able to build a sustainable system that will provide all Ontarians with timely, high-quality, accessible cancer services.

I'm going to focus my remarks on four key areas today: radiation treatment, the Ontario breast screening program, cancer prevention and the memorandum of understanding that has recently been signed between Cancer Care Ontario and the Ministry of Health. I'll try to go through my remarks reasonably quickly so that there will be an opportunity for questions either in my remarks or in the report or about cancer services generally.

In the material I've pre-circulated there are a number of handouts and I'd like to draw your attention to the first, in which you will be able to see what I believe is self-evident, that the importance of cancer as a health problem in this province is increasing.

If we look at that particular figure, you'll note that the impact of cancer on death rates in this province continues to rise. This is in contrast, for example, to the death rates from ischemic heart disease. This is a very important point that I wish to stress, that we continue to have an ever-increasing burden of cancer in this province, and until such time as we can prevent cancer or find ways to cure it, we are going to be faced with this particular issue. More than 45,000 people, perhaps closer to 50,000 Ontarians, are diagnosed with cancer each year. That is about one in every three Ontarians who will have cancer at some time in their lives.

Unfortunately, cancer still kills about 23,000 people in this province each year, and our rates, as I've just shown you, are increasing. It's mainly attributable to the aging of our population. As you can see from that graph, most other health problems are either stable or diminishing. If you turn to the second overhead, one of the issues that the system has faced is that although the number of cancer cases that we have seen in our regional centres, to use that as an example, has steadily increased over the last decade, until very recently there was not a commensurate increase in the resources provided to meet the needs of the increased number of patients. I'm pleased to say, again as seen in this graph, that that picture is beginning to change.

Cancer is a very complex disease and for this reason cancer patients require services of many different health care providers in many different settings. Before 1997, when Cancer Care Ontario was created, we did not have a mechanism in this province to coordinate all the different types of services that an individual cancer patient can require. Similarly, there was no mechanism to establish

standards across the province to ensure that all Ontarians have access to the same high-quality services regardless of where they live.

The third page on the handout illustrates the general structure, the general approach that Cancer Care Ontario has taken. As you can see in this schematic, we run our operation through a provincial office that sets standards and deals with province-wide programs, but this is implemented and we get information back from eight different regions across the province. It's very important to look at the chart and to see the various participants in Cancer Care Ontario. I would submit that this approach is the secret to being able to get a handle on cancer and how we're going to deal with cancer in this province. All of the stakeholders are brought together in this mechanism.

It's very easy and so far in my own remarks I've focused on treatment. I've talked about treating patients. But cancer prevention, screening to detect cancer earlier than it might otherwise be detected, supportive care for patients with cancer, education about cancer and research into cancer are all important strategic priorities of Cancer Care Ontario.

Just to give you a little bit more on the structure of the system, most hospitals in the province do deliver some type of cancer care. However, specialized cancer care is essentially concentrated in nine facilities across the province. These nine centres are the exclusive providers of radiation treatment in Ontario. Eight of the nine facilities are regional cancer centres funded and managed by Cancer Care Ontario. The ninth is the Princess Margaret Hospital, which is operated by the University Health Network. Again I want to stress that all of these centres, in addition to having treatment programs, also have programs in supportive care, prevention, screening, education and research.

As I said, I want to give some attention to radiation treatment. We are aware, of course, of the issues that are confronting us with regard to radiation treatment. The fact is that at the present time cancer patients are experiencing waits for radiation treatment that are excessive. I'd like to discuss for a moment how this has happened.

During the past decade there has been a growing gap developed between patient need for radiation treatment and the resources available to meet this need. The need increased because the population aged and because radiation was being used, and has been used, to treat more and more types of cancer. Just to give you one example of the kind of change-in-practice pattern that makes it difficult to predict exactly what amount of resource we will need, until the late 1980s, if a woman presented with early-stage breast cancer the standard treatment was mastectomy. That changed and, instead, the standard treatment became removal of a lump, followed by radiation. That single change in practice obviously had a tremendous impact on the need for radiation treatment in this province. I could give you a similar story about prostate cancer and so on, but I think that example serves to illustrate it.

The key problem that we're facing at the present time is staffing shortages. There have been budget constraints over the past decade by successive provincial governments that essentially meant that little money was available to cancer centres and hospitals to hire the staff we need and also, and very importantly, to maintain internationally competitive salary levels. Complicating the staffing situation was a significant delay in the startup of a new training program for radiation therapists, the people who actually deliver the radiation therapy.

At the time the audit was conducted, 32% of patients were receiving their radiation within the four-week standard recommended by the Canadian Association of Radiation Oncologists, and at that time there were 1,600 more patients who needed radiation treatment than we could treat in the acceptable time period. We have made some inroads. Currently, instead of 32%, 40% of patients are treated within the four-week standard. This has resulted from a dual strategy of aggressive recruitment of radiation treatment professionals and also patient re-referral. As a result of this strategy, during the last year, although the increase from 32% to 40% is modest and is not as much as we would like, the important point that I want to stress is that the cancer centres in this province have been able not only to do that but also to meet the 3% annual increase in the demand for radiation treatment as a result of the predicted and evident increase in the incidence of cancer.

So the situation has been stabilized, despite that increase in burden of disease, and some improvement has begun. The net impact of this, although it's not as much as any of us would like, has been to begin to reduce the number of patients in the backlog by 200, by comparison with the time the auditor did his report.

These improvements came about and were facilitated by the minister's acceptance of the report of the task force on radiation treatment. That resulted in a \$15.5-million allocation of new funds to Cancer Care Ontario and just over \$4 million to the Princess Margaret Hospital. Furthermore, and importantly, funding for radiation treatment is no longer subject to a ceiling but will increase by formula as the number of patients increases. That enables cancer centres to hire new staff as caseloads grow and to maintain competitive salary levels.

A new, expanded training program for radiation therapists opened in September 1999. However, because training of radiation therapists takes several years, we have had to, and have allocated funds to, recruit staff from elsewhere. In 1999, despite an international shortage, we were able to recruit 40 radiation therapists from abroad. Six of these people are now working in Ontario, and very recently the federal government has committed to speeding up the immigration process for the others. I want to inform the committee that these additional 34 therapists have the potential of further reducing the number of patients in the backlog by 350. So this is a very significant contribution.

With respect to the physical facilities to treat cancer patients, we have received approval for three new

regional centres in Kitchener, Oshawa and Mississauga, which will open in 2002, a new cancer centre in St Catharines, a satellite centre in Sault Ste Marie and expansions at existing centres in Sudbury, Windsor and Hamilton.

I believe that, given time, these initiatives taken together will improve the availability, accessibility and timeliness of radiation treatment services in Ontario. In the meantime—and it's very important to stress this—it is essential that we continue to have the ability to re-refer some patients who require radiation treatment, preferably to northern Ontario but also to the United States. Cancer Care Ontario's target is to eliminate re-referrals within 18 months. That is a target. It assumes that clinical practice patterns will remain constant and that we will continue to be successful in our drive to get radiation therapists and other radiation professionals to come to Canada.

As a physician who treats cancer patients, I want to make it clear that I personally understand how difficult re-referral is for patients and for their families. But I also want to make it clear that I believe this is an appropriate and effective interim approach. It helps the patients who elect it as an option, and it helps other patients because it helps control and actually reduce the waiting list.

I'm aware that there has been some concern with regard to how patients who are re-referred feel about this program. I won't go through the details of the patient satisfaction survey; they are appended to the material. Suffice it to say that the summary statement is, as you'll see, that the great majority of patients are very pleased with not only the care they have received but also with the quality of the experience, as good as it can be under the circumstances. It's not optimal. We know we can do better, and we are working together with the Canadian Cancer Society and other supportive care experts to try to improve on that side of it, which perhaps is the weakest component of the re-referral enterprise.

Before I move on to the breast-screening program, it's important to acknowledge that there is a significant issue with regard to travel and accommodation costs for patients who are re-referred for radiation treatment. I'm aware that there are members of this committee from northern Ontario for whom this is an especially important issue. I just want to say that our current reimbursement practice in Cancer Care Ontario is that indeed we have funds available to cover the costs of travel and accommodation for patients who are re-referred. We see this as an exceptional and temporary circumstance, as these patients would not normally have to travel long distances for their treatment.

The ministry has provided us with the resources to cover the costs but, as I said, we acknowledge that travel for radiation treatment within northern Ontario is an issue. For this reason, Cancer Care Ontario's board of directors has established a task force to look into this issue. We are waiting for the task force recommendations and, as the principal adviser to the ministry on cancer, we will make our report available to the ministry when it is completed.

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I would like to turn now to the Ontario breast screening program, another major area of discussion in the auditor's report. By way of introduction, I want to point out that mammography remains the best method to detect breast cancer early, when it is easiest to treat. We are very fortunate in this province to have the OBSP. I believe it's one of the best programs in the world. We offer screening to Ontario women between the ages of 50 and 74. Ultimately, our hope is to screen 350,000 women each year, that is, 70% of the target population.

At present there are approximately 250 facilities that conduct mammography in Ontario, and 55 are part of the OBSP. This means that most Ontario women receive breast screening outside the organized program. One of our key objectives is to increase the number of facilities that are affiliated with the program.

You may ask why we think it's important that facilities join the OBSP. There are three key reasons. First, the minimum standard for participation in the OBSP is accreditation by the Canadian Association of Radiologists. OBSP provides assistance to prospective affiliates to meet this standard. Unfortunately, at the present time, only one third of mammography sites in Ontario outside of the OBSP have this accreditation. Second, the OBSP continually monitors and evaluates the performance of its sites to ensure a continuing high standard of operation and service. Third, and importantly, the OBSP offers comprehensive breast screening, which includes not only two-view mammography but also clinical breast examination by a specially trained nurse examiner as well as education in breast self-examination.

When the year 1999-2000 is finally over, we expect that the OBSP will have screened 125,000 women at 60 sites, a 25% increase over the previous year.

We have had some other improvements since the release of the auditor's report. These include the implementation of an enhanced data collection system to monitor the effectiveness of the OBSP; improved protocols for informing radiologists and radiology co-ordinators about cancers missed at screening; and quality control procedures to monitor screening outcomes at each screening centre are now in place and the information is being distributed to staff, as is appropriate, for their analysis and follow-up.

Because there was some concern about guidelines for screening women who are at high risk for breast cancer—there is controversy about this—we have established an ad hoc group to give us guidance on the role the OBSP should play in this area.

Finally, the OBSP has been in existence for 10 years, and we plan an independent evaluation of the program by a panel of outside experts to give us an external validation of the strengths and areas for improvement within our program.

The OBSP offers screening to women at average risk every two years. I want to take a minute to talk about this, because it's important in terms of understanding the auditor's comments about missed cancers. Cancers that

are diagnosed between the two-year screens are called interval cancers. There are two groups of interval cancers: those that were in fact visible on the previous mammogram but were not detected—and are missed cancers—and those that were not visible on the previous mammogram and are truly interval cancers.

Radiologists have always been informed about cancers missed at screening. As I previously said, we now have improved protocols for this area. It's very important for us to continue to monitor interval cancers to make sure we do as much as we can to eliminate missed cancers. For that reason, all X-rays from women who have developed interval cancers are carefully reviewed by our chief radiologist and a panel of radiologists. Any cancers that are missed are discussed with the original reading radiologist.

When the auditor's report was done, OBSP data from 1990-95 were reviewed. During this period, the OBSP detected 1,759 cancers out of 216,000 screens. Of the 216,000 screens and the 1,759 cancers—with that in the background—there were 304 interval cancers. That rate of interval cancers compares very favourably with other programs around the world. Only 68 of these interval cancers were actually missed cancers. Therefore, 3% of all the cancers that developed in women who were screened by the OBSP were missed cancers.

There is a study in the literature that was published in 1998 in which the OBSP rate of missed cancers was cited and is lower than the rates in British Columbia, Australia and Southern California. This gives you some idea by some yardstick of the quality of our program.

Just very quickly, to try to conclude, with regard to cancer prevention, I don't want to give this short shrift, so please bear with me for just a couple of minutes. A very important part of our mandate is to make cancer prevention an integral part of Ontario's cancer control system. It's a fact, as we've all read in the media, that issues around cancer treatment still tend to dominate public debate. So I would like to take this opportunity to inform the committee about some of the prevention initiatives that have been undertaken since the auditor's report was prepared.

These important initiatives include establishing a media network for the Ontario tobacco strategy; we have developed a provincial network on diet and cancer; and we have undertaken an initiative to examine the links between physical activity and cancer. John Garcia, Cancer Care Ontario's director of prevention, has recently been appointed to oversee the implementation of the Ontario tobacco strategy. Importantly, occupational and environmental exposures to carcinogens were identified in the CCO strategic plan as explicit areas that require attention. I expect that these areas will emerge as priorities in the primary prevention plan for the upcoming year.

Finally, I just want to allude to the memorandum of understanding. The auditor's report noted that there was a need for a memorandum of understanding between Cancer Care Ontario and the Ministry of Health and

Long-Term Care. I'm pleased to report that in the fall of 1999 we did sign this agreement.

The memorandum of understanding codifies Cancer Care Ontario's role as the principal adviser to the ministry on all matters related to cancer. It sets out all of the accountability, all the operational guidelines, and it gives us the opportunity, I believe now, and the ministry the opportunity to work together to try to ensure that we deal as effectively as possible with the problems that we currently face and, very importantly, that we don't lose sight of the future and that we plan for the future to try to minimize the problems that we'll have with cancer in the future and also, of most importance, that we can begin to change our focus into thinking about preventing cancer.

With that, Mr Chair, thank you very much.

The Chair: Thank you very much, Dr Shumak. Next we have the deputy minister, Jeffrey Lozon.

Mr Jeffrey Lozon: Good morning. The Ministry of Health is pleased to meet with this committee today.

Ensuring that all Ontarians can rely on quality health care has required a modernization of our health system to meet the needs of an aging and growing population. A strong Ontario economy has made it possible for the provincial government to increase health care spending by \$1.5 billion since its 1995 commitment of \$17.4 billion. In fact, the government is planning to increase funding by another 20% over the next five years to meet future needs. In 1998-99, our actual operating expenditures totaled \$18.9 billion.

This year, the Ministry of Health and Long-Term Care budget is expected to be approximately \$20.6 billion, over one third of the budget of the province of Ontario. Funding for cancer services forms an important and growing part of that funding envelope.

The ministry understands the comprehensive approach required to control cancer and therefore we fully support the mandate of Cancer Care Ontario and will continue to work with Cancer Care Ontario to meet the needs of Ontarians. The ministry also understands the necessity of providing high quality service to cancer patients across the province and recognizes the high standards of existing services currently provided by the dedicated staff in our health care system.

In April 1997, the Premier and the Minister of Health announced that the then provincial cancer agency, the Ontario Cancer Treatment and Research Foundation, would be replaced by Cancer Care Ontario, or CCO, as the agency to expand the service delivery role of OCTRF and to work with stakeholders in the province to develop provincial standards and guidelines to coordinate cancer services. These services cover the full gamut of cancer-related activities, including prevention, screening, diagnosis, treatment, supportive care, education and research.

The ministry is pleased to appear before the committee today reviewing the Provincial Auditor's report on his findings regarding Cancer Care Ontario, a schedule 3 agency of the Ministry of Health and Long-Term Care.

We take the findings of the auditor's report seriously and are pleased to have this opportunity to respond

jointly with Cancer Care Ontario to any questions you may have.

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The Provincial Auditor's report is based primarily on information collected by the Provincial Auditor from February 1998 through September 1998. Although the report was not tabled until November 1999, the Ministry of Health and Long-Term Care was aware of the work of the Provincial Auditor throughout the audit. The ministry has therefore been able to work closely with Cancer Care Ontario in order to address the recommendations of the Provincial Auditor as quickly as possible. Today I am pleased to inform the committee of the important progress which has been made, and I will focus my comments specifically on the recommendations which the auditor's report directed to the Ministry of Health and Long-Term Care.

The first recommendation made by the Provincial Auditor was that to clarify CCO's role and responsibilities and the ministry's expectations regarding CCO's administration, the ministry should expedite revisions to the Cancer Act and establish a memorandum of understanding with Cancer Care Ontario.

On November 8, 1999, a memorandum of understanding between the Ministry of Health and Long-Term Care and Cancer Care Ontario was signed. The purpose of this memorandum is to:

(1) set out the operational accountability and the financial, auditing and reporting relationships between Cancer Care Ontario and the ministry;

(2) set out the roles of the minister, the deputy minister and the ministry and the board, the chair and the chief executive officer of Cancer Care Ontario;

(3) set out the accountability framework among the minister, CCO, the deputy minister, the board, the chair of CCO, the ministry and the CEO of Cancer Care Ontario; and

(4) set out the extent to which specific directives approved by Management Board apply to Cancer Care Ontario.

In March 1999, the Ministry of Health and Long-Term Care signed a separate memorandum of understanding with Cancer Care Ontario which permits the transfer of data for cancer surveillance purposes to Cancer Care Ontario while protecting patient privacy.

The ministry believes that these arrangements address the intent of the Provincial Auditor in this recommendation, and we will review the need for a new Cancer Act as these memoranda of understanding become longer-standing and more fully developed.

Two recommendations of the auditor were in relation to radiation treatment. Cancer Care Ontario, in conjunction with the ministry, should develop and implement a long-range planning and funding process that integrates equipment and staffing requirements for radiation therapy and should implement a plan that provides the most cost-effective radiation treatment equipment for patients.

The ministry agrees with the Provincial Auditor's observations concerning the necessity to link human resource and capital planning. We are willing to meet this challenge which has presented itself in Ontario, other provinces and internationally for many years.

I am pleased to inform the committee that the ministry and Cancer Care Ontario have taken the following steps to ensure a linkage between human and capital resource planning for radiation treatment in the future.

The ministry has agreed to a volume-linked, cost-per-case funding formula for the delivery of radiation services at Cancer Care Ontario and the University Health Network/Princess Margaret Hospital. In essence, this allows these organizations to plan for and treat incremental numbers of patients with confidence that government funding will be provided to cover their costs. We are currently working from an estimate, provided to the ministry by the Task Force on Human Resources and Radiation Therapy, as to the amount of this cost per case while we await recommendations as to the precise, exact cost coming from the joint policy and planning committee, a partnership between the Ministry of Health and the Ontario Hospital Association. This committee report is expected in the fall of this year. In the meantime, both Cancer Care Ontario and Princess Margaret Hospital and the ministry have agreed that the interim funding per case is satisfactory.

The ministry has provided significant infrastructure support for training programs in radiation therapy and physics. The ministry and Cancer Care Ontario formed a joint cancer human resource planning committee in November 1999 to ensure that training programs are geared to provide sufficient staff to deal with these problems in the future. The committee is also reviewing innovative strategies to deal with the immediate problems of staffing shortages.

The ministry requested that Cancer Care Ontario regional council for the GTA produce a report on human resource and capital requirements for the four radiation treatment facilities in this region once the new centres in Oshawa and Mississauga become operational. The ministry is extremely pleased with the quality of this report and will use it as it develops the preconstruction operating budgets and plans for human resource requirements over the next three years.

The ministry has established, in conjunction with Cancer Care Ontario, a schedule for the replacement of radiation equipment throughout the province.

Because of the understandably high interest in and importance of this matter, I would like to further inform the committee regarding other steps taken by the ministry to provide for present and future cancer treatment in Ontario.

During 1998-99, the ministry committed almost \$40 million in additional funding to increase capacity and access for radiation services in Ontario. New spending included \$1 million allocated in June 1998 for the operation of two new treatment machines in London and for expanded services in Hamilton and Windsor; \$15 mil-

lion was allocated to expand services, including radiation treatment, chemotherapy, new and expensive drugs and supportive care; \$1.4 million was allocated to the Princess Margaret Hospital at that time to increase radiation treatment capacity; \$15.5 million of this new funding was invested to train additional radiation human resource personnel.

In December 1998, Minister Witmer appointed a task force to identify immediate and long-term human resource requirements for radiation oncologists, radiation therapists and physicists, and to make recommendations to the ministry and other relevant stakeholders on how to meet these requirements. The Task Force on Human Resources for Radiation Services Report was received in February 1999. As a result, the minister established a training program for radiation therapists at the Michener centre, and the first ever formal physicist training program in this country.

Cancer Care Ontario has also received funds for salary and workload adjustments for staff involved in the delivery of radiation therapy and additional funding for recruitment programs. So far, Ontario cancer services have achieved a net gain of 54 radiation therapists, two medical physicists and 12 radiation oncologists as a result of this aggressive recruitment campaign.

The ministry provided \$4.4 million in one-time funding to the Princess Margaret Hospital in May 1999 for equipment upgrades to increase patient capacity.

In June of last year, the ministry announced \$153 million for the development of new radiation treatment centres in Kitchener, Oshawa and Mississauga, planned to be operational in 2002, plus a new centre in Sault Ste Marie, expected to be operational in 2004. This funding also includes expansion to the Hamilton, Windsor and Sudbury cancer centres. Planning for a new cancer centre in St Catharines is underway.

In March 1999, the minister approved the re-referral of consenting breast and prostate cancer patients to other cancer centres in Ontario and the United States to offer patients an alternative option while capacity builds within our own system. The cost of this program is expected to be \$23.1 million for one year.

The ministry is aware of the heavy emotional burden which travel for radiation therapy places on Ontario patients, and for this reason we will continue to work closely with Cancer Care Ontario to address this matter. Our first priority is clearly to provide quality treatment as close to home as possible, and this has been the key principle underpinning our planning for delivery of radiation. If this is not possible, we need, through Cancer Care Ontario, to allow patients access to radiation services elsewhere in the province.

In regard to the Ontario breast screening program, the Ministry of Health and Long-Term Care continues to provide support for screens and Cancer Care Ontario's co-ordinating activities. The ministry is committed to working with Cancer Care Ontario to develop and implement strategies to increase the participation of women in the age group of 50 to 74.

In response to the Provincial Auditor's concerns regarding quality assurance within the program, the Ministry of Health has requested a review of the Ontario breast screening program, which Dr Shumak has already referenced.

In regard to Cancer Care Ontario's development of an effective cervical screening program, the Provincial Auditor has recommended that the ministry should facilitate access to appropriate cervical screening information and develop protocols to use data for statistical purposes while safeguarding the privacy of patient information. As you may know, the ministry has invested over \$3.6 million over the past three years to develop a cervical screening program, which is being coordinated by Cancer Care Ontario. I am informed by Cancer Care Ontario that the official launch of this province-wide program will be in June of this year. This program has developed provincial guidelines for screening, testing and follow-up with stakeholder participation and education videos for women and physicians. A strategy for dissemination and implementation of guidelines has also been developed. The program has worked with public health units to develop a clearinghouse for educational and promotional materials for general and specifically targeted populations. It will implement a social marketing campaign, a cervical screening registry and increase accessibility to screening.

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The Ministry of Health and Long-Term Care is currently engaged in broader initiatives to develop a laboratory information system and associated standards for the sharing of laboratory information between its funded agencies. When established, this will provide Cancer Care Ontario with the necessary test results to permit CCO to follow up on high-risk patients and to facilitate biannual recall of patients. The ministry will continue to work with Cancer Care Ontario to develop a provincial data capacity within this provincial initiative. Meetings between the ministry and Cancer Care Ontario are ongoing in this regard.

The Ministry of Health and Long-Term Care endorses the recommendations made by the Provincial Auditor in his section dealing with managing resources. The ministry believes that the memorandum of understanding which was signed between the ministry and CCO in November 1999, through provisions of a clear CCO mandate and through its requirement to comply with Management Board directives on acquisition and purchasing, establishment of subsidiaries, conflicts of interest and the requirement for strategic operating and business plans, provides the appropriate framework to respond to the Provincial Auditor's concerns.

In conclusion, the ministry is grateful for the insights of the Provincial Auditor and the stimulus he has provided for making important changes as we together face the enormous challenge posed by cancer. We have indeed established an effective and cordial working relationship with Cancer Care Ontario toward this end.

The Chair: We have about 36 minutes left until the 12 o'clock recess. I'm suggesting that we split the time evenly, about 12 minutes for each caucus, and we start off with the government caucus today.

Mr Dan Newman (Scarborough Southwest): I want to begin by welcoming Cancer Care Ontario, Dr Shumak, and the ministry's Jeff Lozon here today before the public accounts committee.

My question is for Dr Shumak. I think it's internationally recognized that there is a shortage of radiation therapists throughout the world. I know the Minister of Health and Long-Term Care and the ministry have been very aggressive and active in recruiting radiation therapists to Ontario.

In your presentation today, you said, "Staffing shortages are at the root of the current problem."

Dr Shumak: That's correct.

Mr Newman: I was looking through some press clippings that appeared yesterday. It says here, "Techs Blocked at Border," where it appears that the federal government, through its immigration policies, is not allowing radiation therapists to be available to the people of Ontario. I quote from that article. It says, "Twenty-eight radiation therapists are now wading through a lengthy immigration process, while Ontarians with cancer continue to be sent outside the province for treatment." That's quite a serious comment. I think the Premier has been very clear on this issue, Dr Shumak. He said, "They transfer hockey players back and forth ... within 24 hours," and he said that radiation therapists are "a tad more important" than hockey players. I would agree with him.

The Minister of Citizenship, Culture and Recreation, Helen Johns, wrote a letter to the federal Minister of Citizenship and Immigration, Elinor Caplan, this week, asking her to speed up the process so that we could get more radiation therapists in Ontario. She said that this is "yet another example of the serious problems with your immigration policy" that are affecting the health care system here in Ontario.

I ask you today, what has Cancer Care Ontario done to augment and enhance the effort of the ministry to attract more radiation therapists to Ontario?

Dr Shumak: I'll deal first with the last part of your question. We have had a very aggressive recruitment strategy. We have recruited a total of 40 radiation therapists from outside of Canada, including five Canadians who we are repatriating and 35 other radiation therapists. This is against the background of international competition for these people, because there is an international shortage. So that's what we're doing about it. We have certainly been working as diligently as we can through the immigration process and in fact have a full-time staff person who has been involved in doing this, along with the other aspects of the recruitment initiative.

I'm pleased to say that just a couple of days ago I received a telephone call from Minister Caplan in which I was assured that whatever blocks there were will be dealt with. I'm not sure what the details will be, but hopefully

this is a sign that we will be able to—our numbers are 25 people who are simply waiting for approval, and as soon as the approval comes then these people will be able to work in Ontario and will help us to reduce the backlog that I referred to before.

The Chair: Is that in addition to the 40?

Dr Shumak: No, that's 25 of the 40. Maybe I can just clarify that in addition to the immigration issue, which obviously we have to deal with, there's also an issue different from the hockey players. In this instance, we've got licensure issues and competence issues. I'm sure members of the committee will support the position we've taken, which is that as desperate as we are to have more radiation professionals, we can't compromise our standards, and therefore, in addition to getting past the immigration issues, there's also the need for individuals to prepare for re-examination. That takes some time. That's why not all 40 are ready.

Mr Newman: I hope the immigration roadblock is removed, that the minister keeps her word, because she too represents a riding in Ontario and it affects her constituents as well.

The Provincial Auditor also raised a concern regarding the quality assurance measures of the Ontario breast screening program. What has Cancer Care Ontario done to address those concerns?

Dr Shumak: What I'd like to do, to give you the details rather than an overview of the sort I presented in my remarks, is call on my colleague Dr Schabas, who can speak to the specific quality assurance measures that have been taken.

Dr Richard Schabas: Let me just reiterate the point that Dr Shumak made, that the Ontario breast screening program operates and has always operated a program of very high quality, demonstrable by the outcomes of screening. We have cancer detection rates, interval cancer rates and other quality measures of outcome that favourably compare with those across Canada and indeed around the world. We certainly welcome the comments of the auditor in identifying ways in which we can improve on the quality assurance. We're always striving to improve our quality. Because cancer screening is so important, quality must be of the utmost importance, and that's why we regard Dr Shumak's remarks about the issue of screening outside the organized program as so important.

But indeed with specific reference to the recommendations of the auditor, we now have established better links with the registered persons database and through the Ontario Cancer Registry to improve our ability to monitor the cancers that are found within the program and to identify and follow up on interval cancers of all kinds. We have established a routine protocol of review of the interval cancers with our radiologist-in-chief and with panels of radiologists, and we've established a routine protocol for informing those radiologists who were the original readers of the interval cancer, particularly the missed cancer, screens. We've also developed a routine protocol for identifying the results of

screening, the cancer detection rates, the interval cancer rates, the missed cancer rates on a radiologist-by-radiologist basis and on a site-by-site basis. I think those were the key recommendations of the auditor and reflect a shared commitment we have with the auditor to continue to improve the quality and to make sure that we know and can demonstrate how high our quality is.

Mrs Julia Munro (York North): I certainly appreciate the opportunity to hear the remarks you have provided for us today. My question comes from the whole area of prevention and the question of promoting prevention, because as we look into the figures that you have provided for us, it's clear that everyone in Ontario has a vested interest in finding various methods to look at prevention. I notice that the Ministry of Health provided \$17 million to heart health and also the announcement of \$19 million for the Ontario tobacco strategy. I wonder whether or not you could comment in more specific terms on the role you see Cancer Care Ontario playing in that field of prevention.

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Dr Shumak: I'd like to just make some brief overview remarks and then again I'll ask Dr Schabas to comment in more detail.

Cancer Care Ontario has recently completed its first revision of its original strategic plan. The original strategic plan was clear in having one explicit goal about prevention. We have certainly reinforced that and adopted that role again in our new iteration of the strategic plan and, I think importantly, have recognized very clearly some specific initiatives that we intend over the next several years to focus on. They include initiatives in tobacco and environmental and occupational carcinogens, diet and exercise.

As I mentioned in my remarks, we believe it's crucial for us not to be too consumed by the crisis of the day, as important as it is. We obviously can't ignore that. We must, through all this, begin to plan for how we can change things in the long term. So we're very committed to prevention.

Maybe I can ask Dr Schabas to give you a few more details about the plans.

Dr Schabas: I have just a few brief comments. I'd refer you back to the graph that Dr Shumak presented at the beginning of his remarks which shows a steady increase in cancer deaths, and indeed that reflects a steady increase in new cases of cancer, and I suggest to you there are really three key messages to take away from that. The first message is, obviously, the steady, inexorable demand on treatment services, which have been discussed already by Dr Shumak and by Mr Lozon. The second message is that we need to do things differently, that clearly we cannot continue to sustain that kind of pressure. The third message, if we look at the other lines on the graph, particularly for heart disease, is that we can do things differently, because we've done much better with heart disease. A lot of that difference has been because of more effective measures in the area of prevention.

Cancer Care Ontario's role in prevention is a new one. We only received funding approval for our prevention unit last February and hired the staff beginning in June, so it's certainly early days. But through our strategic plan we've identified strategic priorities. Tobacco, diet and physical activity are at the top of that list, because those are the major preventable causes of cancer in Ontario. We've also identified an interest in occupational cancer. We've requested funds so that we can improve our surveillance of occupational cancer so that we can develop an effective strategy to deal with that. Indeed, we're also looking at issues related to environmental pollution. We have a very small project underway to try to develop some strategic directions in that area.

But I think if we want to really make a difference in the long term, if we don't want to continue to have these meetings year after year and talk about the pressures on the treatment system, we have to put more resources and more efforts of all kinds, including public policy efforts, into primary prevention and into cancer screening.

The Chair: Thank you very much. That's 12 minutes. Mr Maves.

Mr Bart Maves (Niagara Falls): Pass.

The Chair: OK. Mrs McLeod.

Mrs Lyn McLeod (Thunder Bay-Atikokan): I'm sure you're aware there's a number of questions we're going to want to address over the course of the day, both to Cancer Care Ontario and to the ministry. I appreciate the fact that you both in your opening presentation addressed one of the key concerns, which is waiting times for radiation. That is an issue we want to return to, including the issue of recruitment of professionals and whether we're making much progress in catching up for the regrettable decision that we've made to cancel the training programs that were being done before there was any alternative training program put in place. If that decision hadn't been made, we might well not have been trying to deal with recruiting professionals from abroad. But I'll return to all of that this afternoon.

I want to lead with a different issue, because one of the things that concerns me overall, as we look at the auditor's report and read the concerns, is that part of the history of cancer care is that we're constantly trying to catch up with something that maybe we all should have been able to see coming.

There's a statement in the auditor's report that there is—he's looking at systemic treatment wait times. The language is perhaps a bit technical, but can I just understand before I proceed that that is access to chemotherapy through medical oncology. The auditor notes that there is no national or provincial standard for systemic treatment wait times and that CCO plans to address this issue.

In your strategic report, Dr Shumak, you say, on the issue of adequate access to timely care, that timely access to quality care requires adequate resources at each step. There's a rather alarming statement made on the next page: "Insufficient resources lead to crises in access to care. Potential crises loom on the horizon in areas such as systemic therapy, surgery, diagnostics and palliative care,

again, just as in the current crisis in radiation treatment, due to the critical shortages in trained professionals.”

Before I come back in the afternoon session to the concerns we have about the crisis in access to care for people needing radiation treatment, I want to ask you whether or not we are looking at a serious crisis. What are the dimensions of the crisis, particularly starting with systemic therapy or access to medical oncology and chemotherapy treatment? What are the dimensions of the problem that you’re identifying? Is anything being done to deal with it? What needs to be done?

Dr Shumak: I’d be pleased to respond to that question. The statements you cite are indeed statements that we strongly support. It’s essential that we try to prevent problems before they happen. There are warnings on the horizon about each of the areas you cited, that unless we plan very carefully we run the risk of a similar problem to the one we’re having with regard to radiation. The way Cancer Care Ontario has approached this is that for the past year, once it became clear that this is a serious problem, we’ve had a task force that has worked diligently. I want to clarify that in contrast to radiation treatment, in which all the treatment is delivered within the regional cancer centres, the issues with regard to systemic therapy, with regard to diagnosis, with regard to surgical oncology, are more complex because those services are provided throughout the province. So it’s extremely difficult, and there are far fewer national standards, as you’ve cited.

This task force report is in its final draft stage. Once it’s completed, we will be developing the case for what we believe needs to be done in response to these issues and taking it forward to the ministry. The ministry is aware of this problem, and on an interim basis in our operating plan for this year we did request some funding, because even before we could quantitate it specifically we knew that we needed some resources, and we did obtain some resources to deal with it on an interim basis. But the long-term solution will require a lot of effort, not just in systemic therapy but, as you point out, in surgical oncology and in the diagnostic area.

I would like to suggest this is one of the advantages of a structure such as Cancer Care Ontario because we can bring together all the players. In the systemic therapy task force we have members of the community, oncologists, pharmacists, all the people who can help us to identify the issues.

Mrs McLeod: I appreciate that, and that puts Cancer Care Ontario and the task force in a position that the auditor wasn’t in, because as the auditor explained in his report, they didn’t have access to a lot of data on the waiting times for chemotherapy.

I’m not sure how legitimate it is for me to ask you this next question, but I’m going to anyway, and you can say you won’t answer it. Has the task force been able to acquire data as to the range of waiting times for chemotherapy that currently exist and, if you have, how that would compare to any waiting times that you might use

as a benchmark, even though I appreciate that at this point there is no standard?

Dr Shumak: One of the problems with the approach to systemic therapy is that waiting times may not be the best indicator of the situation, because in contrast to radiation, where, as bad as it is, waiting times can actually occur, when a patient presents requiring chemotherapy treatment, in many instances it’s really quite urgent. Generally, instead of having lengthy waiting times, what happens is that the system just gets more and more stressed. The systemic therapy task force analysis deals more with the stress on the system. We have people who are seeing more patients than we’re comfortable with. We’re concerned about staff retention because of stress rates.

The waiting times really, as I say, are still relatively brief because it’s really analogous to emergency medicine—not quite, but obviously people have to be seen, and that’s the way it’s happening. There are certainly anecdotal examples of people who’ve had to wait longer than we know is appropriate, but it’s hard to get good data, and as I say, I don’t really think it reflects in the same way as these other measures I’ve referred to.

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Mrs McLeod: The analogy was that emergency care might not be the most fortuitous one to use because we’ve seen the problems we’ve had with emergency care over the past winter and fall.

I guess then that whole issue of staff, which is what you’ve addressed as being the problem that could create the crisis—medical oncology, what is our situation? If people are seeing too many patients, that has to affect quality of care, even if they’re currently able to see them immediately.

Are we facing a current shortage of oncologists? How soon will this shortage of medical oncologists occur? If it’s now, what’s being done in order to change the training system, increase the residency positions to be able to deal with the shortage of, in this case, I guess both medical and radiation oncologists?

Dr Shumak: We’re certainly doing everything we can to recruit medical oncologists and, as well, to make sure that the medical oncologists who have trained in Ontario remain in Ontario. One of the issues for us always is, for all such professionals, that there are opportunities for them elsewhere. So our focus is on that.

In addition, we have had ongoing discussions with COFM, the Council of Ontario Faculties of Medicine. This has been an ongoing problem over many years, to ensure that our needs are properly integrated with the needs of all sorts of medical specialists.

One of the recommendations that may come out of the systemic therapy task force might be to have separately funded training positions for medical oncologists, funded through Cancer Care Ontario, which would not be the way the current system is funded. But it’s perhaps a bit premature to table recommendations. As I say, this is still in the final draft stage. But you have put your finger on a key issue; there’s no doubt about it. We believe that

staffing shortages will be just as important in this field as in radiation.

Mrs McLeod: The same thing will hold true, then, in surgery. If I have time, is the task force looking at waiting times for surgery for cancer patients, given the fact that we are seeing problems with acute-care beds and surgical beds and lack of anaesthetists in order to do surgery? Are you starting to see long waiting lists for surgery for cancer patients?

Dr Shumak: The task force for systemic therapy is not looking at that, but we have formed a division of surgical oncology in Cancer Care Ontario and one of its projects is to do just that, to try to gather data on waiting times for patients who have cancer who are waiting for surgery. There is a dearth of data in our system and I think we recognize that this is a priority. At the moment, there is nothing I can report. This is extremely preliminary. Suffice it to say that there are waits that are longer than we would like and that's why we think it's an important issue to deal with.

Mrs McLeod: Have I exhausted my time?

The Chair: Two more minutes.

Mrs McLeod: I won't have time in two minutes to get to the ministry questions that I have on budgets, so I'll return to those later. But on the question of—I'm hesitating because I know there will be areas that are confidential information. But is the issue of staff shortages and the need for Cancer Care Ontario to be in a position to recruit the people they need, whether it's in radiation oncology or whether it's in medical oncology—and I'm not sure that would be specifically your budget—have you been able to estimate what you believe the staffing needs are in those areas and make a submission to the ministry? If you have, is it possible for us to know what the gap is between your estimate of staff needs for oncologists and what we currently have?

Dr Shumak: As I alluded to before, the situation with regard to radiation therapy is in some respects the model that we'd like to develop in systemic therapy. As you recall, we have a per-case funding formula, which enables us—as the volume increases, we have the resources. Provided that the adjustments are made, as the deputy referred to, to make sure that the per-case funding is appropriate, then we will not be in this position again.

At the present time we have no such approach in systemic therapy, but one of the recommendations that we may make, and this will obviously require extensive discussion with the ministry, is that we look at this kind of approach with regard to systemic therapy. Because in the absence of that, what we're left with is that the current staff see all the patients who come, to the best of their ability, and we do run the risk of getting into the problems I described.

We are beginning to develop staffing standards in medical oncology in terms of the number of patients it's reasonable to expect medical oncologists to see. We know that at the present time our medical oncologists are seeing significantly more than these standards, based on recommendations from other provinces, where similar—

Mrs McLeod: Can you give us figures?

Dr Shumak: Yes. In general, the typical figures in our own studies and in other provinces are that a medical oncologist should see approximately 140 new patients per year. That's a reasonable workload. At the present time, our figures in Ontario, at least within the Cancer Care Ontario system, and I can't give you the data for the people working in the community, are over 200. So there is an issue.

During the time that we were developing the detailed report, just speaking about budget, we made a request of the ministry in our 1999-2000 budget submission for \$3 million in addition for systemic therapy to enable us to recruit, and we received the \$3 million.

Ms Shelley Martel (Nickel Belt): Thank you for coming to see us today. Let me start this way. I understand that CCO is managing the re-referral list for patients who have to travel to other centres for cancer treatment. Is that correct?

Dr Shumak: That's correct.

Ms Martel: When did that process start?

Dr Shumak: It started back in the spring of 1999.

Ms Martel: Patients have gone to Buffalo, Detroit, Cleveland, Sudbury, Thunder Bay and Kingston as part of this initiative?

Dr Shumak: That's correct.

Ms Martel: Is it true, then, that when they travel, 100% of their travel costs are covered?

Dr Shumak: So far I'm able to answer all your questions, but because I can see that you're getting into more detail, the person who is most able to speak to the details of the re-referral project is Dr McGowan. So I'm going to refer you especially to Dr McGowan.

Dr Tom McGowan: For the purposes of travel and accommodation for patients travelling in the re-referral program, we arrange travel for patients and we pay for that directly. If they drive, we pay them the mileage. We pay accommodation costs when they are in another city, and we pay that directly. We provide them with a per diem for food.

Ms Martel: I just want to be clear: 100% of an airplane ticket would be covered. Is that correct?

Dr McGowan: Yes.

Ms Martel: And 100% of a bus ticket?

Dr McGowan: If that's their route of travel, yes.

Ms Martel: And 100% of a train ticket, if that was required. For someone who drives, what is the price per kilometre that you pay?

Dr McGowan: I can't tell you that. I think it's around 30 cents. It may be a bit less than that.

Ms Martel: Would that be for the total number of kilometres travelled or just for travel from the home to the cancer treatment centre?

Dr McGowan: It would be their travel from their home to the cancer centre that they're going to.

Ms Martel: What I'm getting at is, is it for one-way travel or for return travel? You pay the entire kilometres?

Dr McGowan: If they drive from Hamilton to Buffalo, we pay their kilometre charge from Hamilton to Buffalo and then return.

Ms Martel: So back is covered as well.

Dr McGowan: Yes.

Ms Martel: Okay. Is it true that at a recent CCO meeting there was also a possibility floated that costs for a companion, a spouse, a partner would also be paid to allow that companion, spouse or partner to visit the cancer patient while they were getting treatment somewhere else?

Dr McGowan: We had discussed that as a possibility.

Ms Martel: Was that possibility accepted or rejected?

Dr McGowan: We decided not to pursue that.

Ms Martel: Can you tell me whose idea it was to fund 100% of the travel, accommodation and food costs for cancer patients who have to travel?

Dr McGowan: That was an idea that was presented by Cancer Care Ontario.

Ms Martel: So it was Cancer Care Ontario's idea to do this, and you've presented this to the Minister of Health?

Dr McGowan: Yes.

Ms Martel: Can you tell me why this decision was made?

Dr McGowan: Because we felt that in the extraordinary circumstance of a re-referral from the cancer centre they should have been treated at to another cancer centre, we should not institute a financial barrier to care.

Ms Martel: OK. Can you tell me how many patients have received treatment through this mechanism so far?

Dr McGowan: It's approximately 800.

Ms Martel: It's 800. And all have qualified for 100% reimbursement of the costs that they have put in—

Dr McGowan: People sometimes request other costs that we don't cover: telephone charges, certain things like that. They have qualified for the costs that we're covering, which is, we pay for the flights and the hotels.

Ms Martel: How are patients reimbursed?

Dr McGowan: We pay these costs directly and for the mileage charge we submit them a cheque.

Ms Martel: So they would submit a claim to CCO and you would pay them directly.

Dr McGowan: For their mileage charge and their per diem for food, yes.

Ms Martel: And for air travel?

Dr McGowan: No, we pay that to the airline.

Ms Martel: OK. How much has been spent to date to pay all of these costs?

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Dr McGowan: I don't have that figure with me. Do you have that figure?

Interjection.

Dr McGowan: It's \$2.3 million.

Ms Martel: So \$2.3 million has been paid to date for reimbursement? I thought the deputy—

Dr McGowan: Not for reimbursements for—to cover these costs, and all of that has been reimbursed directly to the patients we pay, to the airlines or the hotels.

Ms Martel: So \$2.3 million reimbursed directly to patients. Can you tell me how much money has been reimbursed in total to patients and to airlines as part of this program?

Dr McGowan: Again, \$2.3 million is the total cost. I don't have the split between accommodation, travel and per diem for food.

Ms Martel: Can you tell me what would be the average cost per patient that you would be reimbursing?

Dr McGowan: The total cost per patient is of the order of \$5,000.

Ms Martel: How many people remain on a waiting list who may have to use this same mechanism? Do you have any idea?

Dr McGowan: Our rate that we're sending patients for re-referral is of the order of 20 to 25 per week. We anticipate that we would need to continue to re-refer patients. Our target is 18 months. That would be dependent, of course, upon recruitment efforts, ability to increase the—so it's a target and we're doing our best to reach that target. The rates will probably drop from 20 to 25 a week as we get closer to the target, as fewer and fewer patients will be qualifying.

The Chair: Could you sit a little closer to the mike?

Dr McGowan: Sure. The target is 18 months. We're currently sending about 20 to 25 a week. We expect that rate to drop. There may be a very small number that continue to travel within Ontario until the new cancer centre is open. Some of these projections are hard to be firm on because we treat 25,000 patients a year. Of those 25,000, only 800 travel. So the vast majority are treated and continue to be treated at the cancer centre close to where they live.

Ms Martel: Can you tell me, Dr McGowan, who is paying for these costs?

Dr McGowan: This is funding that's paid by Cancer Care Ontario for these costs, and our funding, as you know, is received from the Ministry of Health.

Ms Martel: Let me just clarify. Is this funding that came out of your base budget?

Dr McGowan: No.

Ms Martel: Is it funding you received from the Ministry of Health?

Dr McGowan: Yes.

Ms Martel: So the Ministry of Health is flowing you the funds to pay for this program?

Dr McGowan: Our programs are predominantly funded by the Ministry of Health, yes.

Ms Martel: I want to be very clear about this.

Dr McGowan: I know this is probably a nuance you're getting at. I'm just personally having trouble following the nuance.

Ms Martel: Let me start again. The money that you're paying these patients for their 100% of costs is not coming out of Cancer Care Ontario's base budget?

Dr McGowan: No.

Ms Martel: So it is money that has been flowed particularly for this effort by the Ministry of Health?

Dr McGowan: Yes. This is funding for this program.

Ms Martel: So special allocations?

Dr McGowan: This is funding for this program, yes.

Ms Martel: So it would be probably dishonest or false for someone to suggest that in fact the money paying for this is coming from Cancer Care Ontario or the Canadian Cancer Society, for example?

Dr McGowan: Well, it's not coming from the Canadian Cancer Society.

Ms Martel: At all?

Dr McGowan: No. This is not funding that's coming through the Canadian Cancer Society. Cancer Care Ontario is managing this as one of the programs we manage and run, and it's funding that we receive from the Ministry of Health.

Ms Martel: I just want to be really clear. You're saying to this committee that none of this money comes from the Canadian Cancer Society?

Dr McGowan: No, it does not.

Ms Martel: Absolutely not?

Dr McGowan: We're not getting funding from the Canadian Cancer Society for this.

Ms Martel: And it would probably be false, dishonest, for someone to suggest that this program is being paid for by Cancer Care Ontario, because in fact the money is being flowed from the Ministry of Health.

Dr McGowan: Of course, the money that we spend predominantly comes from the Ministry of Health.

Ms Martel: It's a special allocation that you're getting for this process.

Dr McGowan: This is an allocation we're getting for this program.

Ms Martel: Over and above your base budget?

Dr McGowan: Yes.

Ms Martel: The reason I'm asking is that Anna Watson, who lives in Fort Frances, Ontario, received a letter dated September 22, 1999. She wrote to the Minister of Health to complain that she is a cancer patient from Fort Frances, that she has to travel to the Thunder Bay Regional Cancer Treatment Centre, and that her costs to do that are not covered 100%. In fact, she only gets kilometre costs one way, from Fort Frances to Thunder Bay. She gets no allowance for food, which she has to purchase at the hospital while she's there for treatment. She gets no allowance for accommodation if she has to stay on the weekend because she can't stay at the lodge in Thunder Bay on the weekend; you have to stay in a hotel. So as a result, seeing what was happening to southern Ontario cancer patients, Ms Watson wrote and wanted to know why the Ministry of Health was not paying these same funds for northern cancer patients. She received a reply that said, "Cancer Care Ontario and the Canadian Cancer Society are paying the expenses for cancer patients who travel to northern Ontario for treatment." That was signed by the Minister of Health, Elizabeth Witmer.

The reason I asked you the question is because I think it is dishonest of the minister to be writing to people and telling them that the costs that southern Ontario patients

are having covered are being borne by Cancer Care Ontario or the Canadian Cancer Society. Do you agree?

Dr McGowan: Perhaps I should answer.

Ms Martel: Anyone who wants to answer, and I would ask the same of the Ministry of Health.

Dr McGowan: For the patients who are travelling for any treatment to the cancer centre that is the one they should be travelling to—so people in Barrie going to Toronto—there is a travel program that the Canadian Cancer Society runs. They have volunteer drivers. For the patients who are travelling from their home to a cancer centre that is not the one closest to their home, we felt that we should fund it as we've recommended.

Dr Shumak: If I could make a couple of comments, first, just to pick up on what Dr McGowan has stated, the confusion here I think is because the Canadian Cancer Society does have elements, as Dr McGowan has referred to, of supporting patients in shorter trips. I can only surmise that was probably what the minister was referring to.

Ms Martel: Oh, I don't think so.

Dr Shumak: With regard to Cancer Care Ontario, does Cancer Care Ontario pay for this program? The answer is yes, we do pay for this program. I just want to stress what Dr McGowan said. Although I take the nuance that you're driving at, that it is a special allocation, it is still a program that is administered through Cancer Care Ontario.

I'd like to take the opportunity to speak to the overall issue.

Ms Martel: Before you get there, if I might, Dr Shumak, because I'd like to add to this—

The Chair: One more minute.

Ms Martel: It's not only the Minister of Health who is doing this. Last week, my staff spoke to the manager of the northern health travel grant in Sudbury about this issue. The manager at the northern health travel grant in Sudbury told my staff that they were disappointed that there was so much misinformation about this issue being raised and that in fact it was not the Minister of Health or the Ministry of Health that was paying for this program to allow southern Ontario patients to have 100% of their costs covered, that it was the Canadian Cancer Society and Cancer Care Ontario which were paying.

I don't think there's any confusion. What we have here is the Minister of Health and the ministry I think deliberately misleading northern Ontario cancer patients who are writing to say, "Why can't our costs be covered too?" That's a legitimate request that they are making, because they're having to travel to receive cancer care. It's the same for people in Pickle Lake who have to go to Thunder Bay, or Red Lake who have to go to Thunder Bay, or people in New Liskeard who have to go to Sudbury, or from Elliot Lake to Sudbury. Why aren't their costs being covered 100% by the Ministry of Health too?

The Chair: A final comment, Mr Lozon.

Mr Lozon: I'll be brief. First of all, I apologize. I forgot to introduce my colleagues who are with me. Dr Les

Levin is a special adviser for cancer services, appointed directly to the Deputy Minister of Health's office at the end of 1998. Beside him is Dr Colin D'Cunha, who is the chief medical officer of health for the province of Ontario.

First of all, a couple of points of clarification: The re-referral program for Cancer Care Ontario for cancer patients was set at \$23.1 million and that was inclusive of the full costs of the service, including the travel grants that were the subject of the last questions.

The other point I'd like to make is that there are other programs of the Ministry of Health that may apply here. One is the northern health travel grant, which is perhaps the basis upon which the reimbursement is being provided in certain sets of cases. I'd be quite prepared to talk about the northern health travel grant and explain what it is in the fullness of time.

The Chair: Thanks very much. Your 12 minutes are up.

Before we recess, I'll just use the Chairman's prerogative to ask one clarification of a comment that's been made a number of times, and that is, you stated that the per-case funding has increased on a per-case basis. Are we talking about all of the cases, including those on the waiting lists, or just those people who are currently being serviced by the system?

Dr Shumak: The per-case funding refers to the cost of treating a patient within one of the cancer centres, whether it be one of the cancer centres run by Cancer Care Ontario or the Princess Margaret Hospital, so it's the actual treatment. The costs associated with maintaining the waiting lists and so on are part of the special program that the deputy referred to with re-referral.

The Chair: Thank you very much. We stand recessed until 1:30 this afternoon.

The committee recessed from 1200 to 1335.

The Chair: I'd like to call the meeting back to order. We'll start the questioning for 20 minutes with the government side.

Mr Maves: Let me just start off by congratulating both of our presenters this morning for excellent presentations, very thorough and quite informative.

I was going through Dr Shumak's presentation. On the second page you stated: "Before the creation of Cancer Care Ontario in 1997, there was no mechanism to co-ordinate all the different types of services that an individual cancer patient can require. Similarly, there was no mechanism to establish province-wide standards for care." I'm just curious: Did the Ontario Cancer Treatment Research Foundation not do any of those functions at the time?

Dr Shumak: The responsibility of the OCTRF was primarily to manage the eight regional cancer centres of the OCTRF. There was also a role they had with regard to, for example, launching the OBSP. They also had a role in planning for provincial research. But what they didn't have was any mandate whatsoever to coordinate the—without trying to make this pejorative, there's the formal system, the informal system, the organized and

the unorganized. The formal, organized system is the Princess Margaret and the eight regional cancer centres. The rest of the province, which delivers more than 50% of cancer care, never was under the jurisdiction of the OCTRF. The important point in the formation of Cancer Care Ontario was to try to ensure that all parts of the province, all cancer services within the province could be coordinated for the first time. That was the sense of that statement.

Mr Maves: One of the things you talked about on page 3 of your report was difficulty maintaining "internationally competitive salary levels." I'm just curious: What are they here, what are they in our neighbouring states in the US, what are they in other provinces?

Dr Shumak: In terms of the details, I'm going to defer to Dr McGowan, who may have these figures.

Dr McGowan: The three main professionals are radiation therapists, radiation oncologists and physicists. For radiation therapists, the top of the range of our salary rates is of the order of \$55,000, which is nationally competitive. It's a little bit less than the BC rate but it's nationally competitive. In the United States there's a dollar-per-dollar match, so there's the exchange rate difference. For physicists, we've recently raised the salaries so that the top of the range—the dollar-per-dollar rate is the same as it is in the States, which is just over \$100,000 for physicists. Again, there's the exchange rate difference. That's very competitive nationally. For radiation oncologists, there is a very big difference in the salary rates between Canada and the United States. Those are well-known differences, and I think there's no point in really dwelling on that. But nationally the salary rates for radiation oncologists in Ontario are very competitive, are among the best in the country.

Mr Maves: For each of those in the Canadian comparison you said we're competitive. Are we in the top three? Are we below only one or two provinces?

Dr McGowan: I would say for physicists we're at the top, for radiation therapists we're probably number two and for radiation oncologists, I'm sorry, I can't quote the ranking but we're in the top few.

Mr Maves: The other thing I was interested in is, "Currently, 40% of patients are treated within the four-week standard." We've had some chats about the four-week standard. How many of the other provinces—and I don't know if this is for the Ministry of Health or Cancer Care Ontario—have adopted that four-week standard?

Dr McGowan: The four-week target from the point of referral to the start of treatment is the standard that has been endorsed by the Canadian Association of Radiation Oncologists, which is the medical professional body of radiation oncologists in the country. This is a standard that has been promoted nationally.

As far as I know, Ontario is the only province which has formally endorsed this as the target. All other provinces are working to keep their waiting lists as short as possible. There is informal, at least at the ministry level, agreement with that outside of Ontario. Within Ontario we have formal agreement that that is the target we want

to reach. I don't know if there's any other province that—

Mr Maves: So we're leaders in endorsing that.

Dr McGowan: Yes.

Mr Maves: How long has that been the standard that has been put forward by the Canadian Association of Radiation Oncologists?

Dr McGowan: At least five years.

Mr Maves: When did we adopt that?

Dr McGowan: At the start of 1999.

Mr Maves: The next question I have is, 40% of our patients are treated within the four-week standard in Ontario?

Dr McGowan: Yes.

Mr Maves: Are there any other provinces, then, if they don't have that same standard, that are matching that, improving that? Where do we stand in comparison with some other provinces?

Dr McGowan: There are differences in the way the statistics are captured and reported in the other provinces, so it's more of an apples-and-oranges comparison, the numbers they report. They sometimes report, rather from the date of referral, from the date of consultation, which is a different point in the process.

I can tell you that Quebec has sent patients down south; Manitoba is sending patients down south. I know the waiting lists in BC are long. This is a national issue, but as far as where we rank on a benchmark in using that specific definition, I can't tell you exactly. A number of the other provinces have longer waits. Certainly Quebec is longer and Manitoba is longer.

Mr Maves: There was a goal set by Cancer Care Ontario that by the end of March 2000 we'd be at 50% of patients treated within the four-week standard. Is that the end gain or do we then have a 2003 goal for 75%, or is there not a need to have 100% seen within the four-week standard?

Dr McGowan: You're right in the implication of the question. This is a process that takes a couple of steps. We could not move from the status we had in the fall of 1998, of 32% within four weeks, to immediately moving to 90% in four weeks. With the four-week target we wouldn't see 100% of patients, but we are aiming at 90% eventually. What we've set as the interim standard is 50% in four weeks and 90% within eight weeks. We had set that target for the cancer centres. That of course is completely dependent upon recruitment and having the staff in place to treat the patients. So once we've reached the interim target, we would then move to setting targets to reach the full standard of 90% within four weeks.

Mr Maves: The aggressive recruitment of radiation treatment professionals that you talked about, and we had a little discussion about some of them waiting to get into the country and whatnot, where are we finding most of the ones we've recruited, and how are we going about that recruitment?

Dr McGowan: We're recruiting through advertisements. The person who is coordinating the hiring for us is currently in Australia, attending a conference there and

recruiting people. Most of our applicants have come from Australia, New Zealand, South Africa and England. That's where most of the recruits have come from. So we go through a process of advertisements and attendance at conferences. We had someone attend a conference that was in Scotland who presented a presentation we have that outlines cancer care in Ontario, outlining the radiation treatment facilities, including the Princess Margaret Hospital. We're doing the same thing in Australia and we do this at any of these professional conferences that take place.

Mr Maves: We talked about other provinces adopting the four-week standard and 40% getting treatment here. Have those countries adopted a similar four-week standard? Is it different there? How are they doing measured against that four-week standard?

Dr McGowan: In England they have had a similar problem with very long waiting lists and they adopted an aggressive approach to reduce their waiting lists. There was a national study that was done I guess about three or four years ago now which shows waiting times in England that were comparable to what we had in Ontario. I haven't seen an updated report from that study. What we've found is that our radiation therapists here in Ontario who trained in England are now receiving direct solicitations from England, encouraging them to move back to England to treat patients there. So every person who has ever trained in England—we have people who have been here for 15 years and they're now getting letters asking them to move back. So it's a tight international job market.

Mr Maves: Mr Newman talked about Ms Caplan talking about speeding up the immigration process. Was that at the CCO's or the Ministry of Health's request for some kind of assistance in recognizing the need to speed up getting these folks into the country?

Dr Shumak: I'm not sure what prompted the minister to call, what specific event, but the specific call that I received was a call initiated by the minister. It was not a request from—there may have been some intervention by other groups, though I'm not aware of what it was.

Mr Maves: On page 4 you talked about some satisfaction surveys that you did in your re-referral of some of the patients you sent out to the States for more timely care—excellent levels of satisfaction, I'd say. I just wondered if you'd undertaken a similar process here in Ontario.

Dr McGowan: As a matter of fact, we have. We've mounted a very detailed study which has been coordinated by researchers at Sunnybrook and the department of health administration. They are interviewing in a structured way patients who have travelled away from their home cancer centre for treatment, patients who have stayed at their home cancer centre for treatment and patients who travelled for radiation as a normal, expected part of their care, to compare them in a whole series of parameters: satisfaction with their medical care, satisfaction with social support, satisfaction with after-care. The interviews are taking place prior to going and after

return. There are formalized processes for evaluating these that psychologists and health services researchers use, and we're just getting preliminary results from that, so I can't quote anything from there. We'll be able to compare the satisfaction of people who have gone versus the people who have stayed to see where the systematic differences are.

As an oncologist, I can tell you that people are always unhappy when they're diagnosed with cancer. We want to find out what the different problems are that we're facing with this particular group.

Mr Maves: The next one is—I'm assuming, because I don't know this—if cancer is detected in someone and it's in an advanced stage, does that patient get moved up the priority list as compared to somebody who has cancer, and obviously any cancer is a serious one, but someone who is not at an advanced stage?

Dr McGowan: The criteria we use are, number one, anybody who needs emergency treatment with radiation gets it. There are really only a few categories. One is when the tumour is pressing on the spinal cord and there's a risk of paralysis. Those patients are always treated the same day. There's a risk where patients have tumours pressing on one of their major blood vessels, called an SVC obstruction, superior vena cava obstruction. That's an emergency treatment. They're treated within 48 hours.

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There are very few other diseases that require emergency treatment with radiation. There are a few other specific categories I don't need to go into. So those are all treated on an emergency basis.

There have been some specific studies that have shown that patients with certain subtypes of some tumours have a well-documented reduction in their control rates. Those patients are moved up the list. All other patients, who constitute the majority of patients who receive radiation, are treated on an equal basis.

Mr Maves: So within that 40% who are getting treatment in the four weeks, the ones who are in the most critical need of care are getting it.

Dr McGowan: All emergency patients are treated within the right time frame, which is anywhere from same day to 48 hours.

Mr Maves: Do any of the ministry representatives have anything they want to add, any other answers to the questions we had? No? OK.

One other thing: You talked about the Ontario breast screening program and you said that you had plans for an independent evaluation of the program by a panel of outside experts in recognition of the 10-year anniversary of the program. When is that?

Dr Shumak: The specific arrangements are being made. They haven't yet been made. This is a decision that we've made. We've had some discussions with the ministry and we'll be commissioning that review, but it has not yet been arranged.

Mr Maves: You talked about some other provinces that are doing the re-referral and sending some patients elsewhere—Quebec, Manitoba?

Dr McGowan: Quebec and Manitoba.

Mr Maves: And British Columbia, I thought I had read, was doing something, but not any more.

Dr McGowan: Had referred patients down to the United States in the past, but they had discontinued that a few years ago.

Mr Maves: Of course, historically we had similar problems in 1989 and 1991. I also noted that in your presentations you talked about its being an international shortage. It seems like we're caught again in that same shortage and that same dilemma. It seems that everyone around the world is caught again in that dilemma. What didn't we learn from 1989 and 1991, and what didn't we learn from other places around the world that let us be in this situation again?

Dr Shumak: Maybe I can speak to that. I think the reasons for shortages are really very complex. The reason they're recurring, at least in part, is because they're extremely difficult issues to handle. Having said that, I think the one thing that we didn't learn but we have learned now is that it makes some sense to have a coordinated planning effort, particularly focused on adequate human resources planning. In my mind, one of the major charges of Cancer Care Ontario is to do just that. I think that we'll see whether, by virtue of having the ability to bring all the players together and talk to the right stakeholders, we can avoid having the same problems occurring in the future.

Mr Maves: So one of the key things we did learn was to set up something like Cancer Care Ontario to avoid this in the future?

Dr Shumak: I believe so.

Mr Lozon: I wonder if I could add to what Dr Shumak has said, because although it is right and appropriate that we talk about the human resources that provide services for cancer patients—medical oncologists, radiation oncologists and radiation therapists, who are obviously unique—the question of health human resources is a very complex one. There are substantial shortages throughout the western world in a variety of specialists. It is a national and provincial ongoing planning exercise which tends to—having spent 20 years in the health care system, I've lived through physician shortages and physician surpluses, and nursing shortages and nursing surpluses. It seems to be a bit of a boom-and-bust approach.

If there's any cold comfort, labour economists will tell you that it's hard to get any profession right on this one, whether it's engineers or teachers. In this case, I think particularly as it relates to the medical subspecialties, it will ultimately need to be planned in conjunction with overall supply and distribution of medical subspecialties which involve all kinds of different types of health practitioners.

Mr Richard Patten (Ottawa Centre): I have two areas that I'd like to ask you about. They will relate to both the ministry and to Cancer Care as well. They are related to prevention and children and the relationship between the two. My first question is, where do children

fit in, if they do at all, in your program? It's obviously heavily geared to adults.

Dr Shumak: The answer to that is that in some of our cancer centres we look after children with cancer and we clearly have the interests of children with cancer as part of our concern, but the primary responsibility at the organizational level in Ontario is with POGO, the Pediatric Oncology Group of Ontario. We interact with them, but as I say, they have the direct and primary responsibility. Ours is a more secondary one, save for the fact that some of our cancer centres are actually sites at which children are treated.

Mr Patten: What's the relationship with POGO, anyway?

Dr Shumak: It's a relationship of keeping each other informed. They have no formal accountability to us. It's an issue that does require ongoing assessment. We certainly don't want to have two systems in the province, one for children and one for adults, but to some extent there are some realities that that is the way health care is delivered in the province.

Mr Patten: Well, you can't treat children as you can adults, as you know.

The relationship between children and prevention: First of all, I don't have enough time to get into the details, but that is a pittance of money, one third of 1% of the budget for prevention, when we know in the long haul—I support your statement in saying that you have to always keep your eye on the long term—this doesn't really support that. If you're linked up with other systems that have collaborative, integrative efforts into research—but the children are at the front end of the environmental impacts on our society.

The conference that was just held at McMaster showed that dramatically: children's incidences of asthma, for example, 400% in the last 20 years—it's incredible—1% a year for children with cancers, and leukemia and lymphoma in particular, because they have a more sensitive threshold. It seems to me that if we're talking about prevention that relationship has got to be promoted. Frankly, I don't hear the medical community speaking out enough around the external impacts in a preventative manner. If you want to talk about root causes and call the shots on the environmental degradation that we live with and we know, it reminds me of tobacco companies. Now we know that for years and years they knew damn well that there was a direct link with lung cancer, but they never admitted it.

There's that element and I'm very concerned about that, and a lot of people are, that we have all these silo effects, but there is an integrative element here and the medical profession can be extremely helpful in pushing governments to assume their responsibilities related to the environment, to assume their responsibilities related to the workplace, in terms of exposure to carcinogens. I believe you've commented on that yourself.

Dr Shumak: Yes. In fact, I agree. That's one of the reasons that we've incorporated explicitly these issues into our strategic planning. I do want to make the point

that, as important as it is to do that, when you talk about children—and you mentioned tobacco—the major area of emphasis still ought to be in prevention by virtue of stopping children from taking on the habit of smoking. If we did that, that would be the greatest contribution we could make. That is not to diminish the importance of some of these other areas, and we do intend to do that.

Dr Schabas may wish to add to my comments, but there's no doubt, as I said before—and I agree with you—that we need to give more emphasis to prevention.

Dr Schabas: Just to expand a little bit on Dr Shumak's remarks, if we look at the difference, and the question was asked before about what's changed from OCTRF to Cancer Care Ontario, to my mind the most important change is that Cancer Care Ontario is a true cancer control agency. It has a responsibility to cover all aspects of strategies to reduce the burden of cancer, which of course go far beyond treatment and in my particular area incorporate prevention and screening but at the other end also incorporate things like supportive care. I think that's a very important difference.

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Clearly, our ability to prevent cancer is going to be constrained by our understanding of the root causes of cancer. We don't have a perfect understanding of the causes of cancer. I think if we look at things like the increase in cancer rates in children, there is a great deal of scientific debate and controversy about those causes.

However, we do know a great deal about the causes of some kinds of cancer. We know a lot about the causes of lung cancer: 90% of lung cancer in Ontario is caused by tobacco. We know that tobacco, mainly through lung cancer, causes 25% of all fatal cancers in Ontario. We could make an enormous impact on cancer simply by dealing more effectively with the tobacco issue. I think it has been mentioned before that the Minister of Health, in response to a report from an expert panel which I had the honour of participating on about a year ago, announced some substantial new funding, an additional \$10 million this year to promote tobacco control. I think that's a wonderful step in the right direction.

We should all understand, though, from that expert panel report that that's an important first step but there's a great deal more that needs to be done. We also know—there's a very high level of scientific consensus—that diet and physical activity are important causes of cancer. The World Cancer Research Fund, for example, estimates that we could reduce the cancer incidence by between 30% and 40% if we could shift to a predominantly plant-based diet and increase our levels of physical activity.

In our prevention focus that's where we've started. We started where the scientific evidence shows that the big impacts are: tobacco, diet and physical activity. But as I said in my remarks before, we're also keeping an open mind and exploring things we can do in other areas, like occupational exposures and environmental exposures.

Mr Patten: My last question will be perhaps more to the ministry. Once you get locked into proportions in a

budget—I say this generically as a non-partisan comment—you tend to be locked into that percentage forever and ever. From the ministry point of view, in terms of research into root causes related to cancer, what is your view about what will be happening? Will there be more resources paying attention to this down the road, along the lines that have just been explained in terms of root causes?

Mr Lozon: Perhaps I can make a couple of general comments and then turn it over to Dr Levin, who has more specific knowledge in this area.

The health system is trying, and has tried ever since Marc Lalonde released his report, *A New Perspective on the Health of Canadians*, to incorporate and capture greater preventative activities. It sometimes gets overwhelmed by the fact that we have an aging population, we have a growing population, therefore treatment activities tend to take a little bit higher sense of urgency within that evaluation. But I think the ministry and the Minister of Health have taken a number of steps around the prevention area, usually in a disease-oriented fashion.

For example, I think that Dr Schabas and Dr Shumak have talked about the Ontario tobacco strategy expanded by the Ministry of Health. We well recognize that it is a first step. Also, the heart health program established by the Ministry of Health is an initiative on that. We participate with the federal government and our provincial colleagues in a national diabetes strategy aimed at reducing diabetes and the like. Within the ministry, we have a series of informal processes to make sure that anything that comes forward has a prevention screen applied to it.

So we are doing a number of things in the area of prevention. I would be quick to point out that I wouldn't suggest for a moment that the current allocation of budget to Cancer Care Ontario is a fixed set of percentages. The last 24 months would have indicated quite clearly that that was not the case. The next 24 or 36 months will be a product of our multi-year planning strategies with Cancer Care Ontario.

I'll turn it over to Dr Levin.

Dr Les Levin: I think this is a very important area in terms of trying to reduce the cancer incidence in the future. The Ministry of Health during the past nine months has engaged in dialogue with the ministries of the environment, labour, and agriculture and food in an attempt to develop a coordinated response to environmental issues and focus on environmental health. One of those issues clearly is our joint coordinated response to the area of environmental carcinogens. As Dr Schabas has pointed out, not enough is known about environmental carcinogens. It's clear that one of the future directions needs to be a focus on environmental science and issues around which I think there will be increasing government and public interest.

There is a very healthy dialogue currently between ministries to develop a coordinated response. Some of the discussions have centred on scientific validation of existing standards around environmental carcinogens. Clearly other areas that need full discussion both in government

and public are the areas of risk communication and economic evaluation of any policies around environmental carcinogens. This is very important as it relates to children, because some of these chemicals are bio-concentrating, which means that people exposed to these noxious substances at a very early age might be more prone to concentrate these chemicals and keep them in their bodies for long periods of time. We're very much aware of what the problem is and we are trying to deal with this as quickly as we can within government.

Mrs McLeod: I appreciate my colleague raising the whole area of prevention, which is obviously a critical one. I do want to return to cost of treatment of today's cancer patients, though. My question would be to the ministry. I understand that the cost-per-case funding of radiation treatment was just developed this fall, so presumably the 1999-2000 budget was not based on that funding formula for radiation treatment?

Mr Lozon: In fact it was.

Mrs McLeod: Are you able to tell me what that actually yielded in terms of the cost of treating radiation patients in Ontario, the cost per patient?

Mr Lozon: Perhaps I would turn that to Dr Shumak.

Dr Shumak: We previously had a budget of \$49 million for treatment of patients requiring radiation, and with the per-case funding that now is a budget of \$60 million.

Mrs McLeod: You indicated to the Chair just before the break that that was the cost of treating patients currently. It's a post-treatment kind of cost so that it's based on the number of patients you've actually treated.

Dr Shumak: Yes, this is not the cost of patients who are waiting for re-referral. There's a separate allocation for that. This is simply the cost within the radiation treatment program. That's correct.

Mrs McLeod: If I can go back to the ministry then—and I know you're not going to tell me what you're budgeting for next year, but can you tell me what you use as the estimate? You indicated that you were looking at what the actual cost per case should be. I appreciate that's not finalized, but I'm more interested in knowing what group of patients you consider when you're putting forward your estimate for the cost of cancer treatment next year. We know there's a long waiting list. We know that re-referral is a part of the cost. But in terms of the cost per case, are you taking into account treating all the patients currently on the waiting list within the four-year time frame? One of the reasons I'm asking the question is that I'm not used to ministries putting in place open-ended budgets, and I'm looking for the ways in which this is in some way potentially capped, if it is in any way.

Dr Levin: Perhaps I can comment and then hand it on to Dr McGowan, if he has any further comments, or Dr Shumak.

The cost-per-case formula is applied to actuals in the previous year and it is added to the base budget by way of year-end reconciliation. In essence, that means both CCO and Princess Margaret Hospital will treat as many patients as they can during the year in the knowledge that they will be reimbursed at year-end. It's only open-ended as it applies to actuals, not to projected cases.

Mrs McLeod: It's open-ended in terms of actuals, but in terms of your projection and your budget estimates, do you have an open budget?

Dr Levin: In terms of the projections, in terms of a three-year business plan, that will be open-ended, but the actual monies expended would be based on actuals.

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Mrs McLeod: I understand that. I'm looking for—you are in a budget process; I'm looking to get a sense of your estimate. I know you won't tell me the dollars.

Mr Lozon: Perhaps I could add to that, maybe not definitive but certainly helpful, hopefully. We understand that the incidence is growing 3% or 4% per year, so in our budgeting process we at least have to accommodate that growth. We understand that. It's also factored, to some extent, on how successful the re-referral program is, or is not. Those are some of the elements that go into our calculations, which are a matter of considerable dialogue between the Ministry of Health, Cancer Care Ontario and Princess Margaret Hospital.

Mrs McLeod: So the ministry has made a commitment that to the extent that CCO is able to treat every cancer patient who requires radiation, you will reimburse those costs?

Mr Lozon: That is correct, on a cost-per-case basis.

Mrs McLeod: And to do that within the four-week waiting time?

Mr Lozon: I think the four-week waiting time is a target we are chasing, that we're moving towards. We are budgeting for a projected number of cases by Cancer Care Ontario and Princess Margaret Hospital next year. They are going to try to move that number closer to the four-week waiting list. I wouldn't say we would be waiting on the four-week waiting list explicitly. We would be budgeting on what they tell us they think they can get towards this year.

Mrs McLeod: The target for this year was to have 50% within the four-week waiting time by March 31. In terms of estimates for next year—I assume that target date can't be met—are you extending the target with a fairly tight time frame for next year so that the ministry will budget adequate dollars to fund that commitment?

Dr McGowan: We established the target so we could get an understanding from the cancer centres of how many patients they would need to treat in the fiscal year to allow us to reach that target. They weren't able to reach that target. Our target for treating patients for the upcoming year, essentially, is to treat as many as they possibly can. That's going to be completely dependent on the availability of staff.

Mrs McLeod: I understand that.

Dr McGowan: So we have a target of eliminating referral to the US within 18 months, and that would mean we would have reached that target by that time.

As far as the open-endedness of the budget is concerned, costs go up in direct proportion to the number of cases. There is an upward limit to the number of patients who will need radiation. About 50,000 patients a year develop cancer; only about half of them will ever need

radiation. So there's a limit to the number of patients who need radiation in a given year.

Mrs McLeod: I appreciate that, and I also appreciate that it's not solely dollars but availability of personnel. Obviously that's a whole other issue.

If I understood you correctly, the March 31 target date to have 50% of patients awaiting radiation treatment receive it within four weeks can't be met now. We all recognize that.

Dr McGowan: Right, we cannot meet that.

Mrs McLeod: I'm not sure if you are telling me you have abandoned the 50% target and that we now have a target that within 18 months all patients will be treated within four weeks in Ontario. Is that a new target?

Dr McGowan: No. One of the problems with this type of targeting, getting it to within a month or so, given the changes in referral rates, recruitment and staff turnover, is that this is trying to get a level of precision over something you cannot get that level of precision over. In all honestly, you can't do that. We have to operate within a context of, as you're saying, how do we plan, how do we get an idea of what sort of budgeting we need for the upcoming year? So I would say that we would like to reach this median target of four weeks by the end of the coming year. We'd like to reach it sooner.

Mrs McLeod: A hundred per cent within four weeks?

Dr McGowan: No, median.

Mrs McLeod: Fifty percent?

Dr McGowan: Yes, within four weeks.

Mrs McLeod: Within a year?

Dr McGowan: Within a year. We would like to be able to reach that. It is very hard to recruit these people into Ontario. As we said at the outset, until we start the recruitment campaign we can't tell you how many people are out there. The reality is that over the space of a year we've been able to recruit 40 people from out of the country. If we had been able to recruit 90, it would be a different story.

Mrs McLeod: If we had more people coming out of our own schools.

Time exhausted?

The Chair: Yes. Ms Martel.

Ms Martel: I'd like to follow up on your manpower issues, specifically with respect to radiation therapists. This is for the deputy. As I understand it, we now provide radiation therapy training in Ontario at the Michener Institute, correct?

Mr Lozon: Yes, that is correct.

Ms Martel: And the degree program began in the 1999 academic year, in the fall of 1999?

Mr Lozon: It's a joint BScN program with the University of Toronto.

Ms Martel: But the degree part of the program at Michener started in the academic year 1999, in the fall?

Mr Lozon: Yes.

Ms Martel: It's true, then, that no radiation therapists at all will be graduating from Michener this year. Is this correct?

Mr Lozon: Yes.

Ms Martel: I'd like to go back to the reasons for that, and I'd like to start this way: I understand that in 1997 a decision was made not to offer any radiation therapy training anywhere in the province. Is that correct?

Dr Levin: That is correct.

Ms Martel: And in 1996-97 there had been regional cancer centres that were offering their own radiation therapy training. Is that correct?

Dr Levin: That is correct.

Ms Martel: How many centres were offering training?

Dr Levin: I think five; there were four or five.

Ms Martel: Can you tell me how many positions would have been in place, in total, between those four or five regional cancer centres? How many people would we have been training in 1996-97?

Dr Levin: I couldn't say directly—

Interjection.

The Chair: Could you speak into the mike, please. Hansard can't pick it up.

Dr Levin: Sixty-six.

Ms Martel: So 66 people were being trained at the regional cancer centres in 1996-97.

Dr Levin: That is correct.

Ms Martel: As I understand it, the government made a decision in 1997 not to offer radiation therapy training anywhere.

Dr Levin: Can I answer that in a historical context? In 1996, there was a joint decision by the cancer centres, the then OCTRF and government to defer entry to the Michener program for one year, based on the fact that the ministry was informed at that point that there was a surplus of radiation therapists in the province. That occurred at a time when the program was being transferred from the cancer centres to the Michener Institute.

So the response to your question is, yes, a decision was made, and it was made on the basis of a joint decision between the OCTRF, the profession—the radiation therapists—the regional cancer centres and the Ministry of Health.

Ms Martel: May I ask who provided the information that we would not have a shortage, or that we didn't need to have people in training that year?

Dr Levin: I think all the above, as far as I can make out. The information we have is that this was a joint decision made on the basis of information brought to a joint committee that met in June 1996. I can't give you specifics of who exactly brought that to the table.

Ms Martel: But as you told the committee, the information was that there wasn't going to be a shortage, or that we had a surplus of therapists at the time?

Dr Levin: The information was that there was an existing surplus of radiation therapists who could not find employment in Ontario at that time, and the decision was therefore made to defer that program by a year.

Ms Martel: At the Michener itself?

Dr Levin: At the Michener itself.

Ms Martel: And at the regional cancer centres?

Dr Levin: At the regional cancer centres, but the ministry agreed a year later to continue a parallel program within the regional cancer centres.

Ms Martel: What I'm getting at is that if you had 66 people being trained, I assume you would have the capacity to train at the regional cancer centres in 1997 as well, or in 1998. My assumption is that had that decision not been made, we would in all likelihood be graduating about 66 radiation therapists this year.

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Dr Levin: The answer is obviously yes. But based on the information that was available in 1996, we would have been graduating a surplus number of radiation therapists who could not find employment in the province.

Ms Martel: But Ontario would have known that these people are needed everywhere. You've made that clear to this committee, that they are in high demand in the UK, they're in high demand in British Columbia, in Alberta etc, so even though they might not have been needed in Ontario, the potential certainly existed for them to get employment somewhere.

Mr Lozon: I can't speak to the specifics of the question, but I think it goes back to the difficulty that the system has had traditionally in planning health human resources. It is not a perfect environment in any way, shape or form around radiation therapists, cardiac surgeons, nurses, physicians and the like. What we have tried to do, with Cancer Care Ontario and Princess Margaret Hospital, is to put in place a process of health human resources planning where that will not occur in the future. What we are really trying to do is beef up and improve the health human resources planning, looking forward and not so much through the rear-view mirror.

Ms Martel: I appreciate that that's what you are trying to do, and clearly, in retrospect, there is a good reason for your wanting to do that. If we have a shortage of about 77—that's what's been in the media right now—and if we had had 66 graduate this year, we wouldn't have anywhere near the serious problem we do right now.

Mr Lozon: I think, as Dr McGowan has also pointed out, this is in fact a moving target. Not only is it moving relative to the incidence and the requirements for radiation therapy, but it's also a moving target because, as others become more aggressive in their recruiting processes, we are potentially at risk of losing the people who are in our system because they'll go someplace else where it's a better set of circumstances.

We are trying as best we can to integrate this health human resources issue into our future planning with Cancer Care Ontario to prevent this from happening, along the lines of prevention.

Ms Martel: I understand that. I guess you've probably made my point. We could have graduated people and they may have gone somewhere else; they may not have. But the regrettable situation we're living with now—people want to point at the feds and point all over the place—is that, frankly, a bad decision was made to not have people being trained in 1997. We will have no

graduates this year. From whatever information—we don't know who came forward with it, but in retrospect, it was not a great decision to have made.

Mr Lozon: Hindsight in health human resources planning has traditionally been more accurate than foresight.

Ms Martel: As a result, we have 77 radiation therapists that we don't have in Ontario right now.

Let me go back to where my colleague Mr Patten was going with respect to primary prevention. I'd move back to CCO at this point. In the auditor's report, we had your budget for 1998-99. Can you give us your budget for 1999-2000, first from the Ministry of Health and then from your other sources?

Dr Shumak: I'm going to ask Dr Shabas to speak about the specific budget.

Dr Shabas: You're asking for the budget specifically for primary prevention?

Ms Martel: No. First I want your overall budget, if I might.

Dr Shumak: Our overall budget for 1999-2000 is approaching \$200 million.

Ms Martel: Can you give me the breakdown between the portion that comes from the Ministry of Health and the portion that is supplied by donors, bequests etc?

Dr Shumak: About \$180 million comes from the Ministry of Health.

Ms Martel: What is the budget for primary prevention in 1999-2000?

Dr Shumak: Richard, do you remember the numbers?

Dr Shabas: Yes. In the 1998-99 budget, in the operating plan for that year, we requested for the first time funding to create a prevention unit within the division of preventive oncology. I should point out that preventive oncology, at least as we define it in Cancer Care Ontario, involves more than just primary prevention. That includes our screening programs for breast and cervix, and we hope in the near future a screening program for colorectal cancer as well. It involves the Ontario Cancer Registry and our surveillance efforts and it includes a research unit which deals largely with issues related to cancer genetics and the causes of cancer.

In that year, the fiscal year 1998-99, we requested \$700,000 in funding for primary prevention. That was approved by the ministry in about February 1999, almost exactly a year ago. Of that funding, \$420,000 was earmarked for a prevention unit which was located at a provincial office and is undertaking many of the activities that Dr Shumak described in his opening remarks. Some \$280,000 of that—I believe that's the correct number—was directed to each of the eight CCORs to fund the activities of the local prevention and screening networks, which are now operational across the province and are making contributions in a variety of areas that are more specific to the local priorities and the local needs.

So the total amount of funding within the budget was earmarked at that time as \$700,000. We did not receive any increase to that in the current fiscal year. There were some requests and they were not approved by the minis-

try. I hope we'll be making further requests in this coming year.

Ms Martel: Can I ask what amount you requested from the ministry for primary prevention?

Dr Schabas: I believe the two items that we requested in this year's operating budget were—I'm going from memory here, so I apologize if I'm not precise. I believe it was \$400,000 to promote our activities in the areas of particularly diet and physical activity, and we requested approximately \$100,000 to do improved surveillance of occupational cancer with a view towards developing a role in primary prevention in that area.

Ms Martel: Just so I'm clear, you said you will have about \$700,000 to work with this year. I am assuming then the \$400,000 and the \$100,000 are additional initiatives, over the \$700,000.

Dr Schabas: They were requests—they were not approved—in addition to that. That's correct.

Ms Martel: What initiatives will you undertake with the \$700,000 that you have for this year?

Dr Schabas: As Dr Shumak explained, the priorities we have embraced in our strategic plan for primary prevention of cancer are in the area of tobacco, where we have been very active on a number of fronts—he described the activities of John Garcia, who is now acting as senior adviser on tobacco issues to the ministry; our involvement in the media network; our involvement supporting a variety of anti-tobacco agencies, the Ontario Campaign for Action on Tobacco, a variety of things.

We have been active in beginning to establish a strategy to address issues of diet and cancer. We've established a collaborative group which is preparing guidelines for Ontario about cancer-prevention eating, and we're in the process of developing strategies to further support the implementation of that information.

In addition, each of the CCORs has established or is in the process of establishing—seven of the eight actually have functioning prevention and screening networks, and each of them has been designated \$35,000. I'm doing the math in the back of my mind; I think eight times 35 is 280, which is the number I gave you. They each have an allocation of \$35,000, which they're all spending in different ways which are reflective of what their local priorities are. For example, in Ottawa they are choosing to focus on supporting a network around cervical cancer screening. In Windsor they are more focussed on occupational and environmental concerns. There's a whole variety of uses which is really being left up to the local CCORs to identify.

Ms Martel: Your strategic plan notes two other issues in this area. One is occupational cancer, and that CCO will create a collaborative group of stakeholders and experts to make recommendations regarding surveillance of occupational cancer. Is that still included in the \$700,000, or is that the \$100,000 that was turned down?

Dr Schabas: No. We're proceeding with that. Creating a collaborative group is not in and of itself a highly expensive thing, so we're proceeding. Invitation letters are going out. The collaborative group on occupational

cancer surveillance is scheduled to have its first meeting I believe in May. The additional \$100,000 or thereabouts that we requested was to hire an epidemiologist who specialized in the area of occupational cancer so that we could provide some core expertise to support that activity. Obviously, without that expertise in house, our ability to improve our surveillance is going to be very constrained.

Ms Martel: Can I ask which stakeholders, experts, unions are being invited to participate, to be part of your collaborative group?

Dr Schabas: The group is being pulled together by our director of surveillance, Dr Eric Holowaty. I know that invitations are going out to all those kinds of stakeholders, including labour groups. I can't tell you specifically which ones have been invited.

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Ms Martel: Is there a reason this couldn't be a public document? Could you table that list with the committee?

Dr Schabas: I don't see any reason why we couldn't.

Ms Martel: That would be great, if you would do that.

The second one was environmental carcinogens and that you will identify opportunities for evidence-based interventions. Can you describe to the committee what that means and whether or not that will go forward this year too with the new budget?

Dr Schabas: Yes. We've already begun a modest project where we are doing a consultation with key experts in the area of environmental health and environmental cancers in Canada, and some internationally, which will lead to a workshop of those experts. I believe that is scheduled for sometime later this spring. This is really at the kind of think-tank level of beginning to identify what they regard as the appropriate target areas in the area of environmental causes of cancer and beginning to identify what roles an organization like Cancer Care Ontario could play in that area.

Ms Martel: Do you have a list of potential invitees that you could share with this committee in that respect?

Dr Schabas: I'm sure there is a list of those invitees, and I'd be happy to share it with you.

Ms Martel: Let me go back to—this is in the same area, when you talk about prevention in your strategic plan—the Ontario Network for Cancer Prevention. You list some of the members. As I read the members, they are primarily from the medical community. I'm wondering whether it is your intention, then, to have a larger body that would be made up of health activists and environmental activists as well. As I read the list, you've got staff from the division, Ministry of Health, I believe, CCOR staff, Ontario College of Family Physicians. Then there's the Canadian Cancer Society, Ontario division. It says "other key stakeholders." It doesn't describe who they are.

Dr Schabas: We have some consumers. But I should point out—you say "CCOR staff." Those are the chairs of the prevention screening networks in the eight CCOR regions, so those are the people who have been selected by the regional networks, by the people who are involved

in those areas, as the leaders in those local areas in those fields. In fact, six of the seven network chairs are medical officers of health. That was their choice. The seventh is an occupational health physician from the Windsor area. That's why there is the heavy medical. Certainly you are quite right, most of them are doctors. But we do have stakeholder input, consumer input. We do have representation from the Canadian Cancer Society. So I think the perspective of that group is to identify targets and coordinate the activities across the province.

Ms Martel: When you say "identify targets," can you explain what that means?

Dr Schabas: It's essentially to assist us in identifying the priority areas for cancer prevention. The discussions in that group are the ones that have fed into the priorities that are identified in the strategic plan. They are priorities, as I said, for primary prevention of cancer.

I want to be very clear that if we really want to make an impact on cancer using existing knowledge in the area of prevention, the primary focus has got to be on tobacco. I can't emphasize that strongly enough. As we sit here and speak, we are facing increasing rates of tobacco addiction in young people in Ontario, and I can guarantee you that this committee will be meeting in 30 years' time and talking about the crisis in cancer treatment if we don't take action on that, and also the scientific evidence about the important impact of diet and physical activity on cancer. Those are the priorities that have been identified by that group, and those are the priorities that have been embraced by Cancer Care Ontario.

Ms Martel: I would think, though, that cancer in workplaces is going to become a more important issue, and cancer because of air and water quality is going to become a bigger issue. While I appreciate that those are the priorities coming out of that committee, I would make the argument or the point that perhaps those are priorities coming out because you may not have the fullest range of people who can participate in that committee who would bring a different perspective.

I go to my own community and look at the number of cancers that have come out of Inco and Falconbridge over many years and the number of cancers that are continuing because of what is being used underground in terms of what's in diesel fuels. So I'm just wondering if the committee is going to be expanded further so that you cover off more fully those other areas where you're going to continue also to see increases in cancer.

Dr Schabas: I should also point out that the priorities we've identified are precisely in line with the priorities that were identified by the Ontario Task Force on the Primary Prevention of Cancer, which made its report to the minister in 1995, and which clearly identified tobacco, followed by diet, physical activity and alcohol, followed I believe in order by occupational cancer, as the most important causes of cancer. Those are the priorities that we've embraced pretty much in that rank order for those reasons.

That doesn't mean for a moment that we're not acknowledging that cancer goes well beyond that. That's

in our strategic plan. But part of your first question is that we have very limited resources at the moment to deal with a huge problem. It's a tiny percentage of cancer spending in the province, and with scarce resources it's incumbent upon us to put the best possible use to those resources and to go after the big targets first.

Dr Shumak: Just to make one point, in response to exactly the kinds of concerns that you've raised, it is important for the committee to understand that in the original strategic plan consultation document we said very little about occupational and environmental carcinogens. Because of the kinds of issues that you've spoken to, the final document is very clear in indicating that we do intend to do whatever we can within our resources to try to deal with that. I wouldn't want the committee to feel that although these other areas may be more important priorities in terms of the sheer volume—there is still, as you point out, a significant concern, for example, with occupational carcinogens and occupational exposure, which we accept and which we see as part of our mandate to try to do something about. We don't disagree with that. The issue will be to do the best we can within the available resources.

The Chair: Before I turn to the government, Mr Peters, you had a clarification.

Mr Erik Peters: Yes, we just wanted to understand the answer to the budget question for our report. You indicated that the overall budget was \$200 million. In our report, the year before it was \$209 million, made up of two components: \$173 million from the Ministry of Health and about \$36 from donations and other sources available to CCO. When you gave the overall budget number, did that include both sources or just the Ministry of Health? I wasn't clear.

Dr Shumak: The figure that we have for 1999-2000, the total budget, is \$204 million.

Mr Peters: So it's slightly down from the year before.

Dr Shumak: No, I don't understand the discrepancy on the year before. May I ask our financial officer to comment?

Mr Naresh Khosla: My name is Naresh Khosla, chief financial officer. You're looking at a budget that includes our own research and other funding, and the funding from the Ministry of Health, including one-time funding and flow-through to the Princess Margaret. In 1998-99 it was \$188 million. In 1999-2000 it will be \$204 million. If you want 1997-98, it was \$159 million.

The Chair: Thank you very much. The government side.

Mrs Munro: I wanted to come back to an issue that had been raised earlier, and that was the question regarding the radiation technology and the numbers. I wondered if we could just walk through this one more time. When was the principle of the four-week wait adopted by Cancer Care Ontario as the goal?

Dr McGowan: There is the Canadian Association of Radiation Oncologists, a professional body which recommended this a few years ago. Cancer Care Ontario form-

ally endorsed this goal in, I believe it was, the fall of 1998.

Mrs Munro: Clearly, from the conversations that we had earlier this afternoon, this has certainly put Ontario in the forefront in terms of recognizing that 40% and the four-week goal.

Dr McGowan: Absolutely.

Mrs Munro: I wondered whether it would be fair to say that when the decision was made around the radiation technologists back in 1996, that would obviously have been made in a different environment in terms of the one we would have today.

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Dr McGowan: I think that in the mid-1990s there was still a recognition that waiting times were an important issue for radiation oncology. The endorsement of a specifically articulated target was different, but the environment was that we recognized that waiting times did need to be acceptable.

Mrs Munro: I just wanted to ask another couple of questions, again going back to some earlier discussion. This is directed more specifically to the ministry. There was some discussion earlier about systemic treatment pressures within the system. I wondered whether or not someone, maybe the deputy, could speak to the way in which the Ministry of Health and Long-Term Care has responded to systemic treatment pressures to date.

Dr Levin: I'd be pleased to answer that. First of all, there's some very good news in the pressures that are mounting, and perhaps Dr Shumak might want to comment further on this. Between 1947 and 1992, on average, one new cancer drug came on the market or became available for treatment. Since about 1992-94, the number of new drugs that has become available has actually increased to about six a year, and the cost of these drugs is excessive. There's enormous cost to that.

The Ministry of Health and Long-Term Care, in 1994, approved a program brought to it by the then OCTRF, and carried forward to Cancer Care Ontario, for what's called the managed systemic treatment program, in which Cancer Care Ontario would validate the necessity, the requirements, the guidelines around the use of any new drug that became available for cancer patients in the province and make a recommendation to the ministry. The ministry would flow the dollars for those drugs back to Cancer Care Ontario, which in turn would make those monies available for hospitals wishing to use those drugs. That program started in 1994, so it's gone from zero to, currently, \$20 million a year to fund new and expensive drugs.

To the best of my knowledge, Cancer Care Ontario has never been denied a single dollar in terms of its request for new and expensive drugs, and from the ministry's perspective CCO should really be congratulated for running a very good program in evidence-based guidelines for new and expensive drugs. I think that has worked extremely well. That's been an add-on, if you like, to the systemic treatment program.

Furthermore, in its 1998-99 budget, CCO requested \$1.5 million as an add-on to its systemic treatment base and it received \$1.5 million. As Dr Shumak has alluded to, it made a request for \$3 million as an add-on to its 1999-2000 base, and that request has been agreed to.

One of the comments the deputy made earlier which I think is highly relevant to the whole area of systemic treatment pressure is that we seem to lack the ability in health care in general to anticipate and to plan for the future, given the complexities of human resource planning. So the task force that Dr Shumak alluded to earlier—once again it's a great pity, and this is not meant to reflect badly on CCO, but I think it's an overall health care problem. We will probably be confronted by another crisis, whereas ideally we would have wanted to have a projection over a number of years to anticipate and deal with the problem. This is why the MOU that was struck between the Ministry of Health and Cancer Care Ontario is such a useful tool. Within that memorandum of understanding there is an expectation that Cancer Care Ontario will provide a strategic operating and three-year business plan to the ministry so that we can then anticipate what those funding pressures are going to be and respond accordingly.

Mr Lozon: I'm wondering if I could add a little bit to the notion of systemic treatment. I think, as Dr Shumak has indicated, that systemic treatment for cancer therapies occurs to no small extent as well outside of CCO. It occurs in many Ontario hospitals and that sort of activity. So as the hospital budgets grow, and they have grown substantially in the last couple of years, you also see some greater capacity to deal with systemic treatment questions.

CCO plays an extremely important role not only in providing systemic treatment, but also in developing the guidelines. As well, it is playing an increasingly important role in the coordination of that entire sort of activity.

Mrs Munro: Clearly, we've heard from the ministry over the course of the day the number of significant investments that have been made since 1995, including \$153 million for the development of the five new cancer centres in Kitchener, Mississauga, Sault Ste Marie, Oshawa and St Catharines. I just wondered, as the co-ordinator of the services in Ontario, whether or not you feel these are significant investments that will in fact come to be able to reduce the waiting lists and improve the access to service for Ontarians.

Dr Shumak: I didn't mention it before, but it's perhaps relevant to mention now that there was a question earlier in the day about what happened in 1989 and 1991. In 1991, part of the problem was an actual shortage of machines and facilities. Although we have a lot of difficulties today with human resources, with a couple of exceptions which are being addressed in this construction, that is not the limiting factor. And with the construction to which you refer, we will be very well positioned in the province with regard to the physical facilities to deliver cancer treatment. There will not be problems with the physical facilities, any constraints, for

a good many years to come as a result of this construction. Even without the construction, except in an area such as Hamilton, that is not a limiting factor.

Mr Lozon: I'm wondering if I could add a little bit to this. I think it's important for the comment to be made that the technology underpinning the health care system is advancing and changing so dramatically and so rapidly that there is a constant forecasting and planning need by Cancer Care Ontario, by the Ministry of Health and by every other health care provider. With the Human Genome Project, with a different set of techniques and processes which are coming out with increasing rapidity, some of the technologies, some of the human resource planning, really have to be current. Otherwise you could be planning for a future that may not occur.

Mrs Munro: I believe you referred to the rear-view mirror earlier.

Mr Newman: Just a question for Dr Shumak. Maybe you can help me out here. Have shortages of radiation technicians happened in the past in the province? Has there been a shortage prior to this?

Dr Shumak: I don't know the past history as well as I'm sure Dr McGowan does in terms of the numbers of technologists, so I'll refer that question.

Dr McGowan: The issue of whether or not there may or may not have been a shortage of radiation technologists in the early 1990s was a moot point then because there wasn't the equipment for them to work on. So even if they had been available, we wouldn't have been able to have them work on the equipment. With the capital expansion that's taken place over the last decade and the ongoing capital expansion, it then gets to the point where you have to look to the therapist shortage. So in your specific question about whether or not we've had a radiation therapist shortage in the past, I actually don't know whether or not this was a specific issue prior to the current problem.

Mr Newman: My reason for asking is that I was doing some research for today, and the Toronto Star reported that back in 1989 there was a shortage of technicians, so I just wanted to know if that was indeed the case or not.

The Chair: That's the fountain of all truth, the Toronto Star.

Mr Newman: In the House, the Chair's statement is, so I just thought I'd ask if that was the case.

Dr McGowan: I'm sorry that I don't know.

Mr Newman: OK.

1450

Mr Lozon: I wonder if I could just make a comment here, because I think this is where both Cancer Care Ontario and the Ministry of Health and Long-Term Care really value the recommendation of the Provincial Auditor. He has indicated through his audit recommendations that it's so important to coordinate the planning for physical facilities and the human resource facilities against this incredibly complex health burden. I think we have put in place, through the memorandum of understanding and through our ongoing relationship with

Cancer Care Ontario, a really good start on that particular integrating process. The work was underway. The Provincial Auditor has helped us move it along through his recommendations. So I think it's extremely helpful to have that.

Dr Shumak: I was just talking to my predecessor and asking him if I could get some further information about this. Intermittently, there were issues with regard to radiation therapists. At those times the primary issue was that we didn't have the money to hire radiation therapists. So that's quite a different situation than what we have today. Today we have the money but we don't have the radiation therapists.

Mrs McLeod: Before I leave the budget question entirely, to come back to the question that Mr Newman was just beginning to raise, I wanted to follow up on Mr Levin's responses to Ms Munro. You were giving her some specifics about the approval of CCO's budget for the current year. Do I understand, then, that the CCO budget submissions have been fully approved?

Mr Lozon: I think I'll answer that question. I would say that it's never the case where everyone gets everything they asked for in a very tight fiscal resource. Cancer Care Ontario, in the context of this particular issue in terms of increasing radiation therapy activities and helping with the re-referral program, has generally received quite favourable support from the Ministry of Health for its budget needs.

Mrs McLeod: When would the approval response to CCO's budget submissions have been made in 1999-2000?

Mr Lozon: I'm sorry, I can't answer that. I'll have to ask Dr Levin when the approvals came.

Dr Levin: The approvals came in three different stages. The first was that CCO was approved for its existing base, just to make sure that it could continue operating. I think that was in August. They submitted an operating plan to the Ministry of Health at the end of July, I believe. The ministry received that and had some recommendations to make and questions to ask in that respect. CCO responded on September 8. On September 10 we received a formal presentation by CCO for its operating requests for 1999-2000. CCO's requests totalled approximately \$60 million, which were then reviewed extensively by ministry staff, and out of the \$60 million a total of approximately \$40 million was identified as a significant pressure that needed to be dealt with. The ministry has managed to flow approximately \$30 million of those \$40 million either directly or indirectly to CCO through various programs, and the outstanding amount has been identified in the business planning process or applications within the Ministry of Health. The results of that will probably be known when that process is completed.

Mr Lozon: Because of the importance of this particular issue, we are in quite regular contact with Cancer Care Ontario around their budgets and their issues. We tend to respond as quickly as the ministry is capable of responding to these particular issues.

Mrs McLeod: I'll just take the answer in the spirit in which it was given. I'll bite my tongue on that one. I will note for the record that I think this committee, the auditor, the Legislature and the ministry should be concerned about the fact that CCO budgets are not being dealt with until the end of the fiscal year in which they supposedly have been providing the services. I hope that's an issue that the auditor may examine in the future.

I want to move to the whole issue of the staffing standards, and I'm back to the radiation waiting times. The auditor had noted that at the time of the audit there were no staffing standards in place. I assume that means both for radiation oncologists as well as for radiation therapists. The MOU does not speak to the specificity of staffing standards being in place, so I don't know from the MOU whether or not staffing standards are in place now.

Secondly, I'd be interested in knowing whether or not there are staffing standards in both oncology and in radiation therapy in other provinces that you take as benchmarks and how we would compare to those staffing standards.

Dr McGowan: There are staffing standards that were presented in the task force on human resources and radiation services and they were accepted and endorsed by the Minister of Health. For radiation oncologists, the staffing standard was 215 new cases per radiation oncologist phased in, and we recommended those be phased in over three years, from 260.

Mrs McLeod: What would the current be, then?

Dr McGowan: The current standard for the past fiscal year was 245, and most radiation oncologists are seeing closer to 260 still. For medical physicists, it was 300 treated cases per medical physicist. For radiation therapists, it was a standard based on the number of machines. We had a recommendation that it be seven per machine, and we're phasing that in over five years from the current of 6.5.

Those standards are what form the basis of the funding formula. The current funding was based upon the staffing standards and the salary levels that were set in the 1999-2000 fiscal year.

The JPPC process incorporates those staffing standards, so it's a standards-based funding formula, based upon the staffing levels and the salary levels, so that the staffing standards are built into the funding.

As far as how we compare to other jurisdictions, BC has staffing standards. There is a slightly different metric for their staffing standard, and we are relatively on par with other jurisdictions. Again, professional organizations nationally are looking at staffing standards. While they use slightly different metrics, if you convert them, we are again on par.

Implementation requires two things: (1) It requires funding, which is implicit in the funding formula when you can be vigilant that the funding formula continues to have those contained in it; and (2) the availability of staff.

Mrs McLeod: On the latter, and before I ask you specifically about programs to deal with personnel training

and recruitment, the seven per machine that is the standard—what would the current be now?

Dr McGowan: It's 6.5.

Mrs McLeod: I don't have enough time to explore this in the depth I would like to. If you just looked at the oncology target to be phased in over three years, how many oncologists would we need to graduate in Ontario? I understand that people move out, but do you have an estimate of what we would need to do in comparison to the number who are now going into it, or even the number of specialties that are available, let alone the number going into it?

Dr McGowan: We need 14 right now and we would need approximately the same number per year over the next two years. We have few graduates coming out of the radiation oncology program.

Mrs McLeod: I'm sorry, how many?

Dr McGowan: I think it's two, and then in the following year, zero.

Mrs McLeod: I ask the ministry, is this one of the areas that we are ready to make some immediate moves on in terms of, first of all, medical school enrolments as recommended by Dr McKendry for September 1999, in order to start to increase the number of specialty training positions in hopefully oncology residency as well as others? I say that recognizing that in terms of the McKendry report, oncology isn't even recognized as one of the most urgent shortages in specialties.

Mr Lozon: A couple of comments with respect to physician human resource planning. The McKendry report was commissioned by the Minister of Health in the fall of 1999 to look at the situation around medical human resources, both supply and distribution factors, because the information is quite dichotomous and contradictory, depending on the source of the particular information. Dr McKendry delivered his report early in the new year and the ministry acted quickly on a series of short-term recommendations that the McKendry report had provided around foreign medical graduates and licensures etc.

1500

The longer-term approach will be determined through the work of the expert panel, which had its first meeting this past week, chaired by Dr Peter George from McMaster University. I expect that report to be in the hands of the ministry in a final form by the beginning of the summer.

One thing that I think is important to keep in mind is that the ministry has traditionally not determined the type of residency slots that will be allocated across the province or the country and has rather more of a higher-level view on it.

Mrs McLeod: I understand that. I do want to note for the record that means medical school enrolment cannot be increased by 55 as of the fall of 2000.

I don't want to cut off Dr McGowan, but I do want to ask about radiation therapy estimate numbers too, so maybe I can let you respond to that and then you can also tell me how many radiation therapists we will need to

meet the target and whether or not your estimates would include what would be needed for the three new cancer centres, respecting that we need to integrate that and would include new numbers that would be needed, for example, at the Princess Margaret Hospital or at Sick Kids.

Dr McGowan: Your first comment is regarding radiation. The medical oncologists were not specifically part of the McKendry report. Within radiation oncology there's been a change which is beyond the authority of Ontario, which is that the training program structure has changed significantly. Medical students now have to make the decision to go into radiation oncology, whereas previously that was made after one or two years of training in another program. So there's been a very significant structural change in radiation oncology training which has affected the attractiveness of the specialty. It's something that requires people to have done something else, typically, before they become attracted to this actually fairly small specialty.

Mrs McLeod: And CCO will have some input to the expert panel, I assume, so that the issues related to radiation oncology or medical oncology are being addressed?

Dr Shumak: I can speak to that. I've already spoken with Dr George and he's assured me that we will have an opportunity to be part of that.

Mrs McLeod: I appreciate that. Let's move on to radiation therapy and the estimates of need and how that fits with our training numbers in Ontario.

Dr McGowan: Our training program at the Michener Institute was authorized and funded for 75 students to come into the 1999 entry class. We were not able to attract the full 75. We were funded to have 75; there just weren't 75 people who were qualified and interested in the program. We look like we'll be able to bring 75 into the 2000 entry year.

We currently have within Ontario 44 vacancies. There's a turnover of about 40 to 50 staff per year, so we need to have approximately 40 per year just to take into account turnover and then we need an increment of 3% to 4% a year, so that brings it up to the 50 to 50-some-odd we need each year. The three new cancer centres will need 78 radiation therapists. Our training and our numbers for the entry into the Michener program take into account two things. One is our need for the new cancer centres, our need for turnover replacement and increment, as well as our capability of training people in the cancer centres. There is a limit to how many people can be trained in the cancer centres. If you can imagine, there are 450 therapists in the province; 78 is a large percentage of that. There's only so much time they can devote to training. I think we're starting to get to the maximum of our training capabilities, so those two things are taken into account.

However, yes, the answer is with 75 students per year coming out of the Michener program and the opening of the new cancer centres, we should be able to staff appropriately as long as there isn't another jurisdiction that has a more successful recruitment program.

Mrs McLeod: Appreciating all of that, based on the planning model, how soon does the recruitment abroad end?

Dr McGowan: It will certainly continue this year, in the year 2000, because, as has been pointed out, there are no graduates this year. In the following year, the year 2001, we would have liked to see 70 to 75 graduates. We're going to see about 50. So we'll likely need to continue recruitment until we get to the year where we have 75 students coming out, which will be two or three years from now.

Mrs McLeod: Again, for the record, I don't know if you need to or would want to respond, but one of the concerns that has followed the closure of the training programs in the cancer centres—and I'm not asking you to revisit that whole debate about whether it was a good thing or not a good thing and why it was done—is there is a very real concern for people, at least in northwestern Ontario—it may be true in northeastern Ontario as well—that they are not going to be able to access the training program in Toronto without experiencing significant costs. I'm not perhaps surprised that you're unable to recruit enough people. I would like to suggest for the record that if some way of handling costs for people who have to travel for the program or of having—I know you started the regional program in an attempt to deal with the sudden knowledge that we needed people and we were going without graduates for a while. I think those regional programs need to be continued as adjuncts of Michener, if necessary, to give people in northern Ontario an opportunity to train. We're concerned that we're not going to have people coming back from the program and we're going to have serious shortages in northern centres.

Dr McGowan: Clearly it's easier to recruit people back to the northern centres if that's where they grew up and they go back home to work. Because of that, the Michener Institute is working very closely with regional cancer centres in northeastern and northwestern Ontario to ensure that we recruit people from those areas. There are ongoing issues and discussions regarding the training sites. That does get down to issues of the educational needs and we have to make sure that people receive the appropriate training. So we are looking at that issue. We think it's very important as well. The most important part, we think, is recruitment from the region. There are issues in Ottawa as well of needing bilingual staff. So there are regional issues as well outside of the north.

Mrs McLeod: Have I exhausted my time yet?

The Chair: No, you've got five minutes left.

Mrs McLeod: Good. I can do at least two things.

Before I leave the north, then—and I do want to come back to the issue of access to pharmaceutical treatment as well, which you addressed in your strategic plan and the auditor made reference to—I do want to just ask the ministry—it comes back to a question Ms Martel was raising earlier this morning on the inequitable treatment of people from northern Ontario, whose costs for having to travel for cancer treatment are not being covered. I

know that CCO, in answering the question, was defining "travel" as those who are re-referred from the cancer centre they would normally be treated at. But it is par for the course for northerners to have to travel. In fact, in 1997-98 there were 12,479 cancer patients who received northern health travel grants.

Is it unfair to say—I ask the deputy this—that the reason that the inequitable situation exists for cancer patients is that in one situation it's temporary and numerically limited, hopefully, and in the other situation it's simply too huge and too costly for the ministry to provide that fair treatment?

Mr Lozon: I will respond to that in the following fashion: The ministry has for a number of years had a northern health travel grant. The purpose of the northern health travel grant is to help people throughout the north move to centres that are close to them, but underlying this entire premise is to try to build capacity in the north to help people in the north access services at home. So there has been increased funding for nurse practitioners; the implementation of the rural and northern health framework, the annual health professional recruitment tour and the like have always been part of our efforts to build a greater capacity for medical service in the north. The northern health travel grant helps to defray the costs, but it's really not an intentional activity. We would prefer, actually, to have the services in the north and to build that particular capacity.

Mrs McLeod: So would we all.

Mr Lozon: That's how we're approaching the northern health travel grant. It's going to stay in place. There's no intention of amending that at this particular time. With respect to Cancer Care Ontario and the exceptional set of circumstances we have dealt with there, we have dealt with it as an exceptional set of circumstances on a temporary basis to allow for the system to get rebalanced.

Mrs McLeod: You do realize that the north is exceptional because we have no alternatives and therefore it is ongoing, costly and significant and not something the ministry is prepared to deal with.

I will turn to pharmaceutical care. In the strategic plan, you indicate—the question would be for Dr Shumak—that there's a need to expand the new drug funding program to a comprehensive, managed anti-cancer drug program. I have so few minutes left, I am going to ask you to expand a little bit on what you mean by saying there needs to be a more comprehensive program that includes oral drugs. What kinds of challenges are we facing on the drug program?

If by chance you have any time left, I wanted to ask about the breast cancer screening program. I understand they're not accessing the whole target group in terms of people getting screened, but why would people still opt to refer to or to use centres that are not under the Ontario breast screening program?

1510

Dr Shumak: I'll try to leave time to answer the last question.

With regard to drugs, the existing program that we have, which has already been referred to, is the program

for new drugs which tend to be very expensive. That is an ongoing issue for us, as Dr Levin pointed out. This is becoming a very substantial cost. To this point we have been able to ensure that patients who require these drugs have access to them. That is entirely handled through Cancer Care Ontario. All patients in the province who have access to these drugs do it through Cancer Care Ontario. I share Dr Levin's comment that this has worked very well.

What we are talking about with regard to expansion of this is that there are also old and expensive drugs, as well as new and expensive drugs, and there are issues in ensuring that patients who need chemotherapy can get it within our existing health care structure, because sometimes financial concerns are at issue, and there are differences in terms of access, depending on whether these drugs are oral or intravenous.

One goal of Cancer Care Ontario is to consider and work with the ministry and with the hospital sector on the possibility of taking charge, taking responsibility for chemotherapy in general throughout the province. The concept would be that all chemotherapy drugs could be funded through Cancer Care Ontario. At the present time, they are funded in a variety of different ways. This is certainly a concept that we think deserves further study and exploration.

I would ask Dr Schabas to comment with regard to the breast screening program and why women might choose to go to a non-accredited facility.

Mrs McLeod: Or to be referred, because I understand it probably comes to a physician referral, and I wonder if it's a matter of educating physicians in terms of the available resources.

Dr Schabas: I wish there was a simple answer to that question. I think one lesson the Ontario breast screening program has learned over the last decade—and those who were involved in medical education probably knew this all along—is that changing physician behaviour patterns of referral and care is extremely difficult. You're right, it's not a question of women selecting to go to non-OBSP centres; it's a question of going to their physicians and being referred to non-OBSP centres because that is where the physicians are used to referring not only women for mammography but all their patients for a variety of radiological procedures.

The OBSP basically spent its first five years trying to persuade physicians to change their referral patterns, with very limited success. The major change in approach of the OBSP over the last five years has been to try to incorporate, to affiliate with more and more and, ultimately, we hope with all mammography facilities in the province and bring them into the program. That is an uphill battle. There are a lot of them. We have a lot of prejudices and inertia to overcome and we have the problem we face with many of the current facilities that for various reasons the quality is not sufficient to involve them in our program.

So one thing we have been focusing on doing particularly last year was assisting mammography facilities to

upgrade their equipment and procedures so they would be able to affiliate, and with some considerable success. We have had a rapid growth in affiliated agencies and mammography sites. I believe we have five more sites that are going to affiliate before the end of March. That strategy is working, but it is a long-term, labour-intensive strategy.

Ms Martel: I'd like to follow up on the breast screening program. It comes about as a result of a call that Frances Lankin received from a constituent.

But before I get to that, so I am clear: Do you have to have a referral to go to one of the programs?

Dr Schabas: Not to the OBSP, but if you have a screening mammogram outside the program, you need a physician referral.

Ms Martel: The question had to do with this: Is it a fact that there is no accredited Ontario breast screening program clinic in downtown Toronto right now?

Dr Schabas: We have facilities within Toronto, but not in the downtown core. That is correct.

Ms Martel: I mean specifically in the downtown core. Was there a program at Princess Margaret?

Dr Schabas: There was an affiliated screening site at the Princess Margaret Hospital. That affiliation agreement essentially lapsed six months or so ago I believe, related to the reorganization of the University Health Network. We are currently engaged in negotiations with the University Health Network to reaffiliate with the OBSP, but it's certainly a problem.

Ms Martel: Just so I'm clear, was that clinic paid for by the Ministry of Health through OBSP, or was it paid for by Princess Margaret?

Dr Schabas: Just to be very clear, within the OBSP we have a series of hub sites—there are nine hub sites and one mobile van—which are paid for by the OBSP. They are fully funded by the OBSP. The remaining sites—roughly 45, soon to be 50—are affiliate sites. These sites are either in hospitals or independent health facilities and are funded by whatever mechanism they are funded by, and we pay them on a per-screen basis for their screens as part of the OBSP. Those are what we call affiliate sites.

Ms Martel: So because she lived downtown, in order for her to get into Princess Margaret—she was told she couldn't access their screening program because she wasn't one of their patients. Would that be true?

Dr Schabas: I have no idea. My assumption would be that since that site is no longer an affiliate of the OBSP, she would require a physician referral, a requisition signed by a physician. That's true of every mammography facility in Ontario that is not part of the OBSP. Whether they have additional policies with Princess Margaret, I can't tell you.

Ms Martel: Is CCO working to establish something else, then, in the downtown core?

Dr Schabas: As I said, this is a source of frustration to us too. We want to provide coverage everywhere in the province; we want to have every mammography site affiliated with the OBSP. But it's a long, slow battle, and

I'm afraid it's not all progress. Yes, we are negotiating with the University Health Network. Yes, we're negotiating with Sunnybrook and Women's College to establish exactly those sorts of downtown sites. We'd like all the downtown hospitals to be affiliated with our program, but at the moment that's not the case.

Ms Martel: It's not an issue of funding, then.

Dr Schabas: It's not an issue of our being able to offer them funding to perform OBSP screens. Because we've been on a per-screen funding basis with the Ministry of Health going back four or five years, we've been in the position that we essentially have had a blank cheque to increase the number of screens. It's a question of our persuading these other sites—public hospitals and independent health facilities—of the merits of affiliating with the OBSP. I think we've been quite successful in that regard in the last couple of years, but there are 200 sites in the province and we are going to be at 60 by the end of next month.

Ms Martel: OK. I'd like to return to the issue I was discussing this morning before we broke, and that had to do with northern cancer patients trying to access northern cancer services.

Dr Shumak, you mentioned that CCO has established a task force to look at this issue and would make some report available to the ministry. Can you elaborate on this?

Dr Shumak: Yes, I'm pleased to do that. This is a task force that is being conducted at the level of the CCO board. One of our board members is chairing this task force, and the report of that group will come back to the board of Cancer Care Ontario. Based on the information that is received, the final board recommendations, whatever they may be, will be forwarded.

Ms Martel: Can I ask what you are looking at, who you're talking to, what issues you're sorting out?

Dr Shumak: I can't comment in detail on the agenda of this task force, but it's being chaired by one of our board members from the north.

Ms Martel: Is it Gerry Lougheed?

Dr Shumak: Yes, it is. As you know, Mr Lougheed is very familiar with these issues, and I believe the task force is not just in the northeast but also involves input from the northwest. I know that Mr Lougheed has consulted widely in his deliberations, including with some of the officials in the ministry involved in the north. That's all I can tell you. He hasn't shared his agenda with the board yet, so I can't give you the details.

1520

Ms Martel: Maybe I can provide two bits of information and then give you my perspective as a northerner who deals with some of these patients. I understand from Mr Lougheed that he did approach the Ministry of Health regional office in Sudbury about the northeast CCOR assuming funding for the accommodation, travel and meals of northeastern cancer patients, with the same to happen in the northwest, and that several months ago the ministry said they themselves would put forward a proposal internally to have this happen. This has not been

done, and this was several months ago. I found that to be frustrating.

The second thing is that you may or may not know that he also received some funding from Fednor to do a study in northeastern Ontario among communities to find out their biggest barrier to accessing cancer treatment, the biggest single barrier people in northeastern communities face. The report will be released in two weeks. The biggest single barrier in 37 of the 38 communities is travel to the Sudbury centre for cancer service.

I say to you as honestly as I can that this is a very serious issue and the northern health travel grant is not responding to this situation, and frankly I don't think it should. I think it's time that we deal with cancer services under the Cancer Act and under the mandate of CCO, so that we provide the funding that's necessary to ensure that northern cancer patients have access to the services they need. I leave you with two cases to show you why this is serious. You said before that CCO made a decision to fund southern patients because these were exceptional circumstances. Let me share with you what I think are exceptional circumstances for northerners trying to access cancer treatment in Sudbury or Thunder Bay. These two instances occur in Thunder Bay.

The first is a woman named Donna Graham—we raised this in the Legislature with the minister in November. Donna Graham lives in Pickle Lake. It is 1,100 kilometres to go from Pickle Lake to Thunder Bay and back for cancer treatment services. We're not going to get a linear accelerator in Pickle Lake, so of course she has to go to Thunder Bay. The cheapest flight for her is \$570 return. If she goes for treatment and has to stay over the weekend, she has to pay for hotel accommodation in Thunder Bay because, for some reason or other, the lodge does not continue to have people over the weekend. She also has to pay for her meals, which she pays for at the hospital at probably a cheaper rate than other places, but it still is a cost that has to be assumed. Under the northern health travel grant, Donna Graham receives the sum total of \$156 for her trip. She can't afford to buy a plane ticket, so twice a month she and her husband drive 1,100 kilometres roundtrip to go to Thunder Bay for cancer treatment. I think that's an exceptional circumstance, and she's not the only one. We see people from Red Lake driving four and a half hours to Thunder Bay. We see people from Fort Frances doing the same thing.

The second case also involves a woman whose case we raised in the Legislature too, to try to get the ministry's head around why this discrimination exists. This case involves a woman by the name of Gladys Whelan, who is a senior on a fixed income. She also wrote to the minister about her case. She had to travel from Fort Frances to Thunder Bay three times, and the cost of those trips was over \$1,000 out of her pocket. She had to get someone to drive her, she had to pay the costs of staying on the weekend and she had to pay for food etc. The fourth time her specialist asked her to come to Thunder Bay she told him no, because she couldn't afford to come any more. I think that's an exceptional circumstance.

I raise those two because they reflect hundreds of other people in northern Ontario who are trying to access cancer services close to home. But the closest to home for some of these folks is four and five hours away. It's not going to change; we're not going to attract the specialists or the machinery we need into those small communities. So I implore you today, if I can, to take a serious look at this issue. For many people, this is what they have to put up with when they look for cancer treatment. Their situation is not going to change. I think Cancer Care Ontario could make a legitimate case to the ministry, as you did for the people in southern Ontario who have to travel, that northerners in these circumstances should have their costs covered too. They are trying to access cancer services like everyone else. I think it would not be untoward to ask the ministry to flow money to cover 100% of these costs for northern cancer patients in the same way that you do for southern patients. It's all about access to cancer care. These are the only ways these people can get access to cancer care, and these are the kinds of costs they have to assume.

I know that Gerry is trying to do some work. I know he's very frustrated because the Ministry of Health regional office in Sudbury said they would come forward with a proposal at least three months ago and have not. He will come out with a report that clearly shows that, at least in the northeast, this problem is the single most important barrier to cancer treatment for 37 of 38 communities. That will be released in two weeks. I just think it is incumbent upon CCO to make a proposal to the ministry, to say: "We cannot have this discrimination any more. We need to treat people in northern Ontario properly when it comes to covering their costs so they can be sure to access services."

I'll leave it at that. I don't expect you to respond, but I hope that when you go away from here today you will really take the initiative to do that as soon as possible and to make that request for money to flow into the northeast and the northwest to deal with these very serious situations.

Let me ask, are we to assume that this strategic plan is your 1999 report card, or is a different document coming out? I understand that this hasn't been—

Dr Shumak: This is not a report; this is our strategic plan. This is intended to be the guideline for us over the next several years.

Ms Martel: Do you have a 1999 report card that has been prepared and was not released?

Dr Shumak: It depends on what you're talking about. Are you talking about an annual report, or are you talking about a report card on the cancer system?

Ms Martel: I'm not sure. I understood that at one point in the last couple of years you issued a report card. I don't know if that was in 1997-98—

Dr Shumak: That helps; that clarifies it. A report card was released in 1998-99, and we have a tentative report card that we are working on, which we have delayed for a variety of reasons, largely because we want to be very sure, before we release anything—we know the significance

that is attached to this, and we want to be sure we're giving the right messages. So it's in the works.

Ms Martel: I apologize that I didn't read your other report card. Can you tell me some of the details that would be included in that report card?

Dr Shumak: I'll ask Dr Shabas, who was the primary author of that report card, to speak.

Dr Shabas: I'm trying to remember very quickly exactly what we said. That was couched as an interim report card, so it was a very preliminary snapshot, really, of the key issues in the cancer system to try to identify the priorities for improvement. So it really touched on the whole range of things: prevention screening, treatment, supportive care, research and education. It was called an interim report card because it was a very subjective document. It was not the kind of document that I think we like to call a report card by being based on objective standards or comparative data with other jurisdictions, the sorts of things that I think would make it a meaningful report card.

I'd be very happy to share that document with you and the committee. I'm not really doing it justice with my description.

Ms Martel: Thank you. Let me go back to what the auditor had in his report with respect to several studies or reviews or work that was to be done by CCO and then handed in to the ministry.

The first had to do with a comprehensive review of radiation treatment equipment requirements, both for replacement and new radiation treatment equipment. The agency response was that this had been submitted to the ministry. Can you describe to the committee what has happened to this? I'd be interested in knowing the projected costs and whether the ministry has approved that funding, and then when that funding will flow, the time frame.

Dr McGowan: There are two parts to the capital story for radiation equipment. One is the expansions and new centres, and that is all funded as part of the capital budgets for the expansions and new cancer centres.

The second part is replacement of the existing stock of equipment. There's a life, based upon use and technical obsolescence, of about 10 years for radiation equipment. We have within CCO around 46 machines, so we replace somewhere between four and five a year. Our current projections are that we can continue to replace at our rate for the next five years. Given that, we have funding in our base that partially funds replacement of all that equipment.

We put in a submission to the Ministry of Health to allow us to fully fund all of the replacement. It was a joint submission between Cancer Care Ontario and the University Health Network. That was submitted; it was sent back with questions. We answered their questions and re-submitted that.

1530

Ms Martel: Are you ready to tell the committee what that price tag was?

Dr McGowan: For Cancer Care Ontario it was about \$13 million a year.

Ms Martel: So you would need \$13 million a year added into your base budget to meet your—

Dr McGowan: No, we have—six?

Interjection.

The Chair: Sorry, sir. Could you come forward. We want to get this in the record. Could you maybe identify yourself again.

Mr Khosla: My name is Naresh Khosla. I'm with Cancer Care Ontario. We have in the budget over \$6 million of depreciation which comes to us which we set aside. We fund the replacement of equipment from our own funds and replenish those funds with the depreciation that we receive from the Ministry of Health. Currently, we receive about \$6 million, as I said. We need in the years to come to increase that to about \$13 million.

Ms Martel: So it's the difference you're looking for, of \$7 million.

Mr Khosla: Yes.

Ms Martel: And you've not heard back from the ministry about that at this point.

Mr Khosla: No, not at this point.

Ms Martel: When was that submitted to the Ministry of Health?

Mr Khosla: We submitted our first report last year and we heard back that they wanted some further information. The further information was supplied to them a few months ago and we're looking forward to hearing from them.

Ms Martel: Are you in a position where if you don't get some of that funding soon, some of the replacement that you would do at centres would be put at risk, or do you have enough with the \$6 million to start to carry on?

Mr Khosla: We have enough in our reserves to pay for that. The \$6 million would be sufficient for this year and next year.

Ms Martel: The auditor also raised the issue that in some centres you would see a better mix of equipment that would reply to patient needs than in others, so that in some centres you may have a waiting list for cobalt but not a waiting list for someone needing—

Dr McGowan: That's been a change in the pattern of practice of radiation oncology over the years. Cobalt is actually a Canadian invention and it's a very useful machine. It has been something that Canadian centres have used more than American centres. That really has been based on patterns of practice more than anything else, and the fact that there's a Canadian company, Theratronics, based out of Ottawa, that manufactures them, the world-wide leader in that technology.

As these machines last 10 years—cobalt lasts even longer, 15 years—it takes time for the pattern of practice to reflect itself in the machine mix. So as cobalt machines come up for replacement, we replace them with linear accelerators. There is one centre, Hamilton, which I think you referred to specifically in your report, that has a greater mix of cobalt machines to linear accelerators than we see in other centres. Their replacement is contingent somewhat on the expansion in Hamilton.

So, yes, there is some issue of machine mix, but there's been a commensurate change in the pattern of practice which has occurred faster than the machine mix could change.

Ms Martel: So you wouldn't really be using your funding that you've identified from the Ministry of Health to reflect that mix. What will happen is there will be a change in practice patterns that will sort that issue out on its own?

Dr McGowan: Well, no. As we replace cobalt machines, we'll replace them with linear accelerators.

Ms Martel: What is the estimated cost, then, for the new machinery for the new cancer treatment centres, three of which I understand will come on stream in 2002?

Dr McGowan: We're just in the midst of negotiations with the manufacturers regarding that, but a list price for the equipment is of the order of \$3 million or so. Nine machines—the list price is somewhere in the order of \$20 million to \$22 million, so that divided by nine.

The Chair: Mr Newman.

Mr Newman: I think I'm going to waive my time.

The Chair: Mr Peters wanted to make a comment.

Mr Peters: I just wanted to make a quick comment on an issue that you raised, Ms Martel. That is the issue of in-year funding of the agencies and the ministries.

That is a continuous concern of the ministries, of the agencies, and as well it has been of our office. In 1995, we raised it. We got an official government response to that issue at that stage, because the key factor that is involved here is actually the tabling date of the budget. Everything flows from there. The recommendation had been made by the Ontario Financial Review Commission that government return to the practice of tabling its budget, which would now include a business plan, before the start of the fiscal year. The government responded at that time and continues the practice that is indicated, that the government will continue with its current practice of tabling the budget and business plans early in the fiscal year, after receiving input from the standing committee on finance and economic affairs and from the public consultations and input from the federal budget, normally tabled in February. So in-year funding of agencies and ministries is practised, and it was somewhat exacerbated in 1999 by the fact that there was an election.

Mrs McLeod: I appreciate that. Thank you very much. I also appreciate the fact that it's Friday afternoon and the weather is lousy, so I have four what I think will be very quick questions. But if I could first just ask the deputy, you had indicated that the Peter George panel on physician supply has started meeting. It may be available on the Internet; I haven't checked lately. Is it possible to table the list of committee members for us?

Mr Lozon: Yes, we can do that. The first meeting of the committee was this week.

Mrs McLeod: Thank you very much.

I have four quick questions. Prostate cancer screening: Is any consideration being given to expanding screening programs to include prostate cancer?

Dr Shumak: Richard, do you want to answer that?

Dr Schabas: I'm happy to answer that. It's a very difficult question. Cancer screening in general is one of the strategies that can reduce cancer mortality. That's the basis for our breast screening program, that's the basis for our cervical screening program and that forms the basis of our recommendations about a colorectal cancer screening program.

The issue about prostate cancer screening is, as I'm sure you're aware, very controversial. The reason it's controversial is that unlike, for example, breast cancer screening or colorectal cancer screening, there is not really solid evidence of the benefit of prostate cancer screening. That's because the randomized clinical trials—and you have to understand these are very large-scale, long-term trials, but unfortunately they're the only really effective way we have of knowing whether cancer screening does more good than harm—are still underway and are not going to report for roughly another five years.

So we have, at least in an informal way, considered the evidence around prostate cancer screening. Unlike, for example, colorectal cancer screening, where we felt there was sufficient new evidence to justify a really detailed and rigorous review of the evidence, we haven't done that with prostate cancer screening, and I think it's unlikely that we'll be able to justify doing that until that randomized clinical trial evidence is in. I don't anticipate, until that point in time, that not only Cancer Care Ontario but the other major advisory groups in Canada, like the National Cancer Institute and the Canadian Task Force on Preventive Health Care, are very likely to issue guidelines recommending prostate cancer screening.

Mrs McLeod: I apologize; I'm going to jump from area to area, each of which is important, but in respect of the time that we have. I did want to come back to a bit of a northern issue. I just want to add to my colleague's caseload—and I'm sure the task force will recognize the 216 people who actually travelled from Thunder Bay to communities as distant as Toronto and Ottawa, or in some cases Winnipeg, and the burden that brings. I appreciate the fact that brachytherapy is now covered, as the re-referrals are, but that is only one of the incidences of cancer which causes people to have to travel significant distances out of northwestern Ontario.

A very different angle of the question comes back to the issue my colleague was raising about children and cancer. I know it's not directly under your mandate in terms of service delivery, but is it under your mandate to look at protocols for children who have been treated at Sick Kids who are coming back into their home communities, and are those protocols in place?

1540

Dr Shumak: It's an important area because obviously there's a population, I'm pleased to say, of children who are long-term survivors of their cancer. These arrangements have not been closely scrutinized as part of our mandate. I think one of the areas we need to pay more attention to is better links between the works of POGO and the works of Cancer Care Ontario. That's not to say that there's no liaison. I'm just saying that it hasn't fallen

under the same kind of scrutiny at the level of Cancer Care Ontario as it should.

Dr Levin: Just to supplement that, the ministry has funded POGO to establish at least five satellite POGO centres across the province where its protocols are in force and where children can be treated closer to home according to those protocols, as appropriate.

I think POGO is doing a very good job in terms of networking across the province and making treatments available for children close to home wherever it's appropriate. Certainly for the very high acuity treatments that these children have to go through it's appropriate that they be treated in a tertiary or quaternary centre. Of course, the good news is that the survival and the cure of children with cancer has shot up from 15% to about, overall, 75% over about a 15- or 20-year period. The actual treatments are paying off, but they're very high acuity treatments and they have to be centralized for that reason. But POGO has done a good job in decentralizing the follow-up and some of the less aggressive treatments these children have to go through.

Mrs McLeod: And in standardizing communications back to whomever the physician back in the home community would be.

Dr Levin: Yes, absolutely. I can't speak for POGO but my understanding is that there is close contact in terms of establishing continuity of care for these children through the POGO network.

Mrs McLeod: I appreciate that.

Here's a real leap, but I can't let Cancer Care International go without at least some comment at the end of the day, a business proposition that runs a deficit. Is there a future for Cancer Care International or are you considering a revision of that program?

Dr Shumak: With respect to Cancer Care International, the business idea behind it was that we thought we could accomplish a number of objectives within Cancer Care Ontario by having an organization that assisted developing countries in developing their cancer programs. We thought we could do this in a way that would be profitable and generate funds that could be used for our other programs in Ontario. It would have that spinoff as well as providing an opportunity for those members of our staff who were interested in getting an enriching experience, which many of them chose to use their vacations to take.

As the auditor reported, from a business perspective in the early days this was not a profitable venture, and since that time we have cut off our financial liability. CCI is no longer a direct subsidiary of Cancer Care Ontario. It's now an arm's-length organization. We still are providing support, but we have no financial exposure. In fact, they're beginning to bring in some income. For example, they have a project that was accepted in Costa Rica which we estimate will generate for Cancer Care Ontario between \$100,000 and \$150,000, so we will begin to recoup some of that loss that was incurred. But at least, as I say, we are not at any further financial liability.

Mrs McLeod: Does that make that a private agency, then?

Dr Shumak: I'm not sure how to define it, frankly. All I can tell you is that it's arm's length from Cancer Care Ontario. I guess in that respect it is operating as an independent agency trying to generate some sort of profit. I am sure the people who are running it would see that as part of their agenda, but I can't really speak for them.

Interjection.

Dr Shumak: I've just been advised it's actually private and incorporated as a private company, so your question and my supposition are correct.

The Chair: Would that mean that they absorb all their own losses?

Dr Shumak: That's what it means.

Mrs McLeod: This was going to be my last question, but now that it's hopefully no longer running at a deficit, does Cancer Care Ontario benefit from its revenues?

Dr Shumak: By virtue of the expertise that we have, we are providing them with support. As I say, there are many people in our system who are very interested in doing this on their own time, and by virtue of the advice

that we give, we are generating some profit as a result of that.

Mrs McLeod: The dollars come back in.

My last question then is, is the relationship, in whatever method that relationship should happen, between the Princess Margaret and CCO such that we're not having patients lost between the two or bounced from one to the other?

Dr Shumak: I can speak certainly from the Cancer Care Ontario perspective. Whatever issues there may be between Cancer Care Ontario and Princess Margaret, we have taken the position that any patient who needs to be cared for will be cared for by CCO, period, and that's the end of it. We will not let any patient not be cared for in this province.

Mrs McLeod: Thank you very much, and thank you all for your very thorough and frank answers to our questions.

The Chair: I'd like to thank all of you for attending today. We've appreciated the information you've provided this committee.

We stand adjourned until next Wednesday.

The committee adjourned at 1546.

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ISSN 1180-4327

**Legislative Assembly
of Ontario**First Session, 37th Parliament**Assemblée législative
de l'Ontario**Première session, 37^e législature**Official Report
of Debates
(Hansard)**

Wednesday 23 February 2000

**Journal
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Mercredi 23 février 2000

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COMPTES PUBLICS

Wednesday 23 February 2000

Mercredi 23 février 2000

The committee met at 1032 in room 151, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF THE ATTORNEY GENERAL

Consideration of section 3.02, office of the public guardian and trustee.

The Chair (Mr John Gerretsen): Good morning. I wonder if we could get the hearings started, please. Thank you all very much for attending. I'd like to call to order the standing committee on public accounts to deal with section 3.02 of the 1999 annual report of the Provincial Auditor on the public guardian and trustee. We'll have an opening statement of approximately 15 to 20 minutes, and after that I will divide equally between the caucuses the time between now and 12 o'clock.

Welcome once again to our hearings, Deputy Attorney General.

Ms Andromache Karakatsanis: It's my pleasure to be back again before this committee. I'm Andromache Karakatsanis, the Deputy Attorney General. With me today is Louise Stratford; she's the Ontario public guardian and trustee.

I am pleased to return to the committee to discuss the auditor's report on the office of the public guardian and trustee and the ministry's response. In our society we believe that people who are unable to make their own decisions deserve to have someone to help them. This is the OPGT's role when there is no one else to act.

Our largest program is property guardianship. It currently serves about 10,000 people. Most of the people we serve suffer from mental illness, dementia, developmental disabilities or head injuries. They come from a variety of cultural and language backgrounds. Many were the victims of neglect or abuse before the OPGT became involved. Often their finances are in disarray, having declined as their faculties diminished over a period of years.

Just over half of our clients live in institutional settings, and many receive social assistance. Some 44% are able to live in the community, and we work hard to keep them there—often a challenging and difficult task. Our goal is to see that the people we serve have the best quality of life possible in their circumstances.

We truly do see ourselves as the last resort. In situations where a person's incapacity comes to light, our staff make every effort to find a relative or other party to become a private guardian. We believe that families should take responsibility for their loved ones whenever possible and that such a family connection is in everyone's best interest. We've had some success with this effort, but in some cases there simply is no one else. What is especially sad are situations where there are relatives but they can't or won't come forward.

The result is that the OPGT handles the more difficult and complicated cases. While our caseload has not been increasing in number, it has been increasing in complexity. Clearly, our face staff face a demanding job, day in and day out, as they work to meet the unique needs of the people they serve.

We believe we have been doing well in what we think of as our social support role. By this I mean helping people find a place to live, seeing that they get medical attention or linking them up with community services. Many a time, one of our staff members has rushed to the scene to help someone who was being evicted or was found wandering in the street or was experiencing some other personal crisis. Providing this sort of direct human support is how our guardianship staff spend much of their time.

It takes a special kind of person to do this work effectively. We are proud of the staff of the office, who bring great sensitivity and compassion to their efforts to help.

In recent years, we have been improving our financial management role, another aspect of guardianship. Problems in this area were the main focus of the auditor's recommendations. We were aware of, and had already begun working on, many of the issues the auditor raised. We take these issues seriously because we understand that quality of life is affected by how carefully finances and other assets are managed.

As background for our discussion, let me outline the mandate of the office more fully. There are currently 14 programs under the umbrella of the office of the public guardian and trustee. The OPGT delivers a series of programs for mentally incapable adults who are without family support. In addition to property guardianship, which I've mentioned, these include programs to make substitute decisions concerning medical treatment, long-term-care admission, litigation and personal affairs. In about 3,000 cases last year, for example, the office made

vital treatment decisions. This is a relatively new function, created under legislation in 1995 and 1996. The auditor concluded that the office had adequate policies and procedures in place to ensure treatment decisions were appropriate and supported by the information obtained.

Within the OPGT a special unit is legally mandated to investigate allegations of abuse, neglect or financial exploitation. The findings of investigators can lead to an informal solution or, as a last resort, can trigger a guardianship application. The auditor indicated that the OPGT was properly geared up to act on investigation results. Procedures for receiving documents, setting up new files and obtaining initial guardianship of property were generally satisfactory and in compliance with legislative requirements.

A capacity assessment office provides education, certification and information to independent health practitioners who specialize in assessing mental capacity, and a screening program reviews and processes applications when relatives or others seek private guardianship appointments for incapable family members.

Other responsibilities include the administration of property left by dissolved corporations, maintenance of trust accounts for cemeteries, the operation of the accountant of the Superior Court, the administration of the estates of deceased persons and the monitoring of charities.

The office now has 312 full-time employees—that compares with 269 positions last year—and a budget of \$23.9 million, up \$3.5 million from the 1998-99 budget.

The OPGT has made significant progress since 1995. Since that time, the mandate and organizational structure of the OPGT were substantially transformed. The Substitute Decisions Act, the Health Care Consent Act and a merger with the accountant of the Superior Court required major structural changes. The office has made solid progress.

Let me review some of the service improvements over the past five years. Prior to 1995, the OPGT was not providing for regular inspection or maintenance of real estate owned by clients. We now have nine local property management contracts in place and there are no problems in this important function.

Prior to 1995, there were major shortcomings in the way clients' bills were paid. Early in 1999, the office concluded a complete overhaul of the procedures for handling more than a million payments to more than 7,000 service providers. We are now doing that right. The office used to have no personal contact with the people it served. The OPGT is now more accessible. It has six offices across the province which some clients are able to visit.

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In addition, in the past 12 months, OPGT staff have personally visited more than 4,200 people in their residences. That represents 48% of our people, almost double the percentage visited a year earlier. We intend to continue increasing the number of visits. Prior to 1995,

the average caseload per client representative was 600. Today it's 250. As I will explain, we are reducing average caseload to 150 effective April 1.

As we review the auditor's recommendations, it is important to be entirely clear about what the figures regarding errors mean. The figures used by the Provincial Auditor were based on the review of guardianship files by an internal auditor on the OPGT staff. The office has had an extensive internal audit program since 1996.

When we talk about a file being audited by staff, we aren't referring to a file folder with some papers in it. A single client's file often consists of volumes encompassing dozens of activities and hundreds, often thousands, of entries. Since, in our average caseload, a case is open for 11 years, a typical file contains information covering this entire period. Given the 11-year average, errors picked up by internal audit could have occurred more than a decade ago.

Our internal audit process scrutinized every activity, procedure and transaction in the audited file.

In 33% of the files we found an error had occurred in one or more of the possibly thousands of transactions entered over the whole period of guardianship. We are not saying that one third of the transactions were incorrect, but that one third of the files contained an error. The number of errors as a proportion of total transactions would be very, very small. While our goal is to avoid all errors, obviously some have a more direct impact on the client's daily life than others. Most of the errors involved a lack of timeliness; that is, we did the right thing, but it took too long.

Apart from citing overall statistics, the auditor's report lists a series of specific examples where clients' assets had not been properly handled. The office and the ministry, of course, find these cases totally unacceptable. We were aware of most of them through our internal audit process and had already begun to take action. In all cases, the problem has now been examined and resolved. As inexcusable as these incidents were, I think it would be unfair to leave the impression that they were typical. They are not. They are the worst cases.

We have already begun to reduce the errors. Our last internal audits, conducted over the first nine months of this fiscal year, reviewed 888 files and found errors in 22% of the files—still far too high, but a solid improvement from the 33% in the internal audit two years earlier. This trend suggests that recent performance has improved and that what we are finding are mainly old errors. As the initiatives we have underway gain momentum, we are confident this trend will continue.

Now let me tell you how we are changing things. To improve the operations of the OPGT, we are adding and training staff, balancing and reallocating workloads, strengthening management, introducing new procedures and putting more emphasis on technology. We have just completed the process of hiring an additional 43 staff, enabling us to increase our front-line guardianship staff by about 35%. A 12-week training program is now underway for these new employees. Caseloads are being

transferred to the new positions on a gradual basis during February and March. In addition, we plan to provide training for all existing guardianship staff again in March and April to put extra focus on the problem areas identified by the auditor.

A key role of the OPGT is to investigate when allegations of abuse, neglect or exploitation are made. We have just hired three more investigators to respond to the steadily increasing number of cases and to do so more quickly. All in all, we expect to be fully staffed and operating under the new organizational structure by April 1. We are confident that this will provide a foundation for significant service improvement.

To balance our workload, match resources with client needs and ultimately provide better service, we are assigning guardianship files based on the complexity and the volume of work involved. Cases that are highly complex and subject to a higher risk of error will be assigned to senior staff. In this category are cases that involve real estate, securities, extended health care benefits, legal problems. Also included are clients who reside independently in the community and therefore need more time and expertise for brokering social services. These more intensive caseloads will be relatively small, averaging 95. Each of these senior staff will have a clerical staff person assisting with matters such as bill paying and benefit applications.

On the other hand, clients with straightforward finances and who reside in protected settings will be grouped into larger caseloads of 250.

We're also defining caseloads based on the geographic area or the facility in which clients live. This will make it easier for staff to maintain closer relationships with caregivers and to visit in person more often.

Taken together, the smaller and larger caseloads will give us an average of 150, compared to 250 at present. This restructuring will bring workloads to manageable levels so that we can provide better services to all of our clients. Not only will we give due attention to the financial management areas identified by the auditor, we will also strengthen our direct, front-line work with people and community partners.

As deputy minister, I am especially concerned that in some cases management apparently did not follow up when errors were identified through internal audits or complaints. To rectify this, we have strengthened the management structure at the office and introduced better management information systems. We have increased the number of supervisory positions in programs serving vulnerable people from eight to 17. The objective is to ensure appropriate monitoring and follow-up on the progress of people's situations.

In the guardianship area, the number of supervisors has increased from four to 12, with the addition of seven team leaders and a manager of quality assurance and asset control. The team leaders will assist the four existing managers in supervising casework, tracking correction of errors, providing day-to-day oversight, training, direction and support to staff on particular cases. In addition,

we are recruiting team leaders for the investigations and estates program.

To provide feedback to management we are improving our internal audit and quality assurance processes. We're recruiting for three more positions in this area. This is in addition to the new manager of quality assurance and asset control who will be responsible for producing regular performance and case management reports.

To support field investigations to identify and secure clients' assets, a computerized logging and tracking system is under development. It will more effectively monitor cases and will be fully implemented by June 30. The office has also developed computerized reports that will help to speed up the 7,000 benefit applications and income redirections that must be processed for people each year.

Though we've made major changes in OPGT staffing and management, to sustain the process of continuous improvement we will rely on information technology, as almost every public and private sector organization today is doing.

Last summer, we brought in consultants to review the computer systems. They completed an analysis of business processes and recommended a series of technology enhancements to improve efficiency. As a result, the office is phasing in new technology, starting with a user-friendly tool for access to client data. Eventually, in future, we would acquire a case management system. This will ultimately automate a large number of transactions, eliminate duplication of tasks and trigger early identification of potential errors.

Let me highlight the progress we've already made by taking action to change process and procedures.

We've made changes to respond swiftly and decisively to urgent situations where people need our help. Each risk investigation is now assigned a priority level when opened. This ensures that those involving the highest risk are dealt with first. Progress is reviewed weekly by managers, and all cases open for 45 days or more are reviewed by senior management. If an investigation concludes that the OPGT should act, we move quickly. At present, 90% of guardianship applications have the necessary legal work begun within our two-day target, compared with 80% at the end of 1998.

In private guardianship cases, we are now meeting our target of processing applications within four weeks 94% of the time. That's up from 40% of the time during the audit period. Last summer we did a complete audit of every piece of real estate owned by guardianship clients and gave staff instructions to act. This audit will be repeated annually to ensure proper oversight of real estate data.

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In the area of estate administration, the auditor acknowledged the changes made in 1996 and the efforts to locate potential errors for files opened since then. He suggested, however, that the office should go back into the earlier files and do a similar review. We are working on this and have initiated searches which will be com-

plete by the end of March on all estates worth more than \$10,000.

Finally, the auditor also expressed concern about the notification of minors who become entitled to collect funds held with the accountant of the Superior Court. Although there is no legislative requirement to do so, we have implemented a notification process this month to improve our customer service.

In closing, let me return to my opening comment about the challenging nature of the work of the OPGT. Our staff are dedicated to the well-being of the people they serve, and by and large they do a good job of helping people attain the best quality of life possible in their circumstances. I am confident that with the additional resources and organizational and other changes I have described, the office will steadily improve the quality of service to the people it serves.

The Chair: Thank you very much. We have approximately 66 minutes left before the 12 o'clock recess so we'll divide it, 22 minutes for each caucus, and we'll start the day with the Liberal caucus.

Mr Michael Bryant (St Paul's): Mr Peters, you've said that the situation in the office of the public guardian and trustee has gone, over the course of the last 10 years, from very poor to poor. Can you just sum up briefly why that is and what's still poor about it?

Mr Erik Peters: Our main concern at the time was that we did the audit in 1992, and we found that action was taken only most recently to really start to improve it. There was a long period in which action could have been taken but I guess was not. It's gratifying to see that there is an improvement now in the error rate in the files. That is good, but the timeliness of actions—and the other concern was that where the internal audit had brought matters to their attention, action was not taken. Our main concern was the timeliness of taking effective action, both in disposing of assets, opening case files and doing the basic things.

Mr Bryant: So it sounds like there's an internal auditor and the internal auditor is not always listened to. But when you come along they listen because they know it's going to become public. Is there a problem there in terms of the auditor playing a "gotcha" role and internally there's really no effective audit taking place?

Mr Peters: Well, I hope that we're not playing a "gotcha" role, but we certainly hope that our report, as it was in this case, apparently, from what just heard from the deputy, was a catalyst for action. The concern was that the internal audit also should be a catalyst for speedy remedial action.

Mr Bryant: And it has not been to date?

Mr Peters: At the time when we did the audit we found many cases where they had bought matters to the attention of senior management and action was not taken.

Mr Bryant: Deputy Attorney General, I want to continue with this questioning about the timing of things. I know that you've hired 43 more front-line workers and added seven team leaders to the office. Was that a result

of the audit report, or was that a result of the internal audit?

Ms Karakatsanis: We had identified a number of areas in which we needed to make improvements as a result of the internal audit. That resulted in us looking at better procedures for providing information to management, but also identified the need to proceed with not only using our current resources effectively but identifying the need for additional resources. That was approved early in 1999. We have been recruiting staff and that new organizational system will be in place by April 1.

Mr Bryant: My concern is that the internal auditor doesn't seem to be listened to, but if the auditor comes along, then in fact you get action. Are we supposed to believe that it's just a coincidence that 43 people were hired after the auditor's report?

Ms Karakatsanis: I'm sorry. The decision to hire the staff was made prior to the report of the auditor.

Mr Bryant: So it's just a coincidence.

Ms Karakatsanis: The internal audit function was created in 1996. As a result of the extensive audit done internally, we were able to identify problems. In some of those instances, management did not follow up as promptly as they should. I've indicated our commitment to ensure that doesn't happen again, with the addition of supervisory resources and management reports to ensure there is timely follow-up. These are problems that had been mostly identified by internal audit, and solutions were being sought at the time.

Mr Bryant: Staffing is not the only answer, increasing numbers, of course. This is probably a case study in that regard. We've had a 100% increase in staffing since 1992, yet the error rate under the auditor's report, by the office's own admission, was 33%, which as I understand it means a 100% increase in staffing but a very slight decrease in error rate. How do you account for that?

Ms Karakatsanis: The error rate as found by internal audit, which was 33% at the end of 1998, has since been reduced as of the end of 1999 to 22%. In fact, with those existing resources, we have looked at ways of making more effective use of them.

I've talked about the increase in supervisory capacity, the reallocation of workload to reflect the complexity and location of the people we served. I've perhaps not touched on some of the management reports that were introduced in 1997-98 and some of the other improvements as well, and I'd be happy to go into that in some detail.

Mr Bryant: But a 22% error rate, as you're reporting here, you're not accepting that? That's not satisfactory.

Ms Karakatsanis: No.

Mr Bryant: My understanding is the industry standard is 5%. Is that right, Mr Peters?

Mr Peters: According to the ministry, yes.

Mr Bryant: Right. So again, let me get back to this question. We have, I guess, now more than a 100% increase in staff resources with the 43 additional people, but the error rate seems stuck at somewhere between one in three and one in five. How are we going to get it closer

to the industry standard? Surely just throwing more people at the problem is not going to do it.

Ms Karakatsanis: I understand from the auditor that the industry standard was obtained from ministry staff. We have made recent inquiries and in fact we are not satisfied that there is an industry standard from the inquiries that we made with trust companies.

The error rate has—

Mr Bryant: Which would mean there's another error, I guess, another error to add to the 22% rate: the error in terms of reporting as to what the industry standard is.

Ms Karakatsanis: As I indicated, our recent information is that there is no industry error rate standard. The improvement from 33% at the end of 1998 to 22% at the end of 1999 is a significant improvement and I believe reflects many of the improvements that were started during that period of time.

It's important to remember that the error rate does not reflect the percentage of transactions that were made in error. Our internal audit system reviews files that are on average 11 years old and that contain hundreds and thousands of transactions. If one or more error is identified, that is identified as an error.

As I indicated earlier, our goal was to have no errors and we are working toward that goal. The improvement that we have accomplished even over the last year is significant, and I believe we've laid the foundations to improve that even more.

Mr Bryant: Just so I understand the numbers, Mr Peters, is the 22% number in terms of the error rate something that's in your report or is that a subsequent development?

Mr Peters: The 22% is new. The 33% was in our report; it was identified. But when we talk about a serious error, we talk about the kind of errors that we highlight in our report, like a failure to get income entitlements and stuff like that.

Mr Bryant: Sure, and I do want to turn to that at some point, but more on this question. You said, and this has to be true, that a special kind of person is involved to deal with the issues that come into your office. If throwing people at the problem is not lowering the error rate, then perhaps it's a training issue. Is there anything different being done in the office in terms of training or education or otherwise that would try to help the people who work in that office fulfill that role of being that special kind of person?

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Ms Karakatsanis: I'll start by repeating that there has been significant progress in reducing the error rate and that the error rate does reflect very much a historical picture of cases that are in many cases 11 years old. I will ask the public guardian and trustee to detail the extensive training that is ongoing right now in the program.

Ms Louise Stratford: We have a very comprehensive training course for certainly the new staff that we've hired, and the staff that we have in place already receive regular training programs, information that's relevant to the work they do, as well as—

Mr Bryant: I'm sorry. I want to give you an opportunity to address the specific question, which is, what has happened since the audit in terms of changes in training? Have there been any changes whatsoever?

Ms Stratford: Since we hired the new staff, we have had a very comprehensive training program. Starting in November of last year there was a four-week, in-classroom instruction for the new staff to teach them the basics of the business and to give them all of the foundation information they would need. All of the areas that were covered through our own internal audits and by the Provincial Auditor and identified as difficult issues were addressed in the training to make sure they were aware of those problem areas and had the tools to fix them.

There is more training planned in March and April for the new and existing staff that will, again, highlight the problem areas, make sure they understand where they are, where there might be opportunities for these problems, and to make sure they know how they can resolve them and how they can meet the timelines that we've set for the various functions.

Mr Bryant: So there are new training programs, then?

Ms Stratford: Yes.

Mr Bryant: Why weren't they in place before? Why did it take an auditor's report to start these new training programs?

Ms Stratford: There has been ongoing training throughout the course of the program. There is a learning curve, though. There were a lot of new functions introduced in 1995 and 1996, and staff take time to become familiar with the new areas of the mandate and the new procedures that are in place to operationalize the program. That's why we say that when we're finding errors in the files now, they tend to be older errors, and that's how we've been able to reduce the error rate even without the new staff being on board, because our current staff, through the training that we provided and through their own experience, have been able to climb that learning curve and be much more effective in their performance now. So training is ongoing all the time and we have, as I say, a specialized training program for the new staff and to highlight the areas that we know have been issues for current staff.

Mr Bryant: Let me get to something I know is particularly troubling that comes out of this report, and that's the \$13 million in assets belonging to these 1,300 former minors, now over the age of 25. Deputy Attorney General, is there a legal obligation on your ministry to contact these people?

Ms Karakatsanis: There is no legal obligation to contact these people. We have started a process of notifying those who come of age who are legally entitled to receive the money and who may be unaware of the existence of the account. That notification process was instituted in early February of this year. There is no legal requirement to do so. We are doing so to provide better customer service and in response to the issue raised by the Provincial Auditor.

Mr Bryant: I don't think these people are customers. I mean, the office is called the office of the public guardian and trustee. That would suggest to me that they are trustees. I don't want to get into the minutiae of fiduciary law, but that would suggest that they are a fiduciary and that in fact these are beneficiaries. If your office doesn't have an obligation to notify them, who does?

Ms Karakatsanis: We have, as I said, instituted a process to notify them. It is not because we feel we have a legal obligation to do so, but because we have chosen to do so.

Mr Bryant: What I'm saying is, why would you not have a legal obligation to do so if your office is the trustee?

Ms Karakatsanis: I'm sorry, Mr Bryant. We do not have a legal obligation to do so, but we feel that it is appropriate to do so and are now doing so.

Mr Bryant: Well, how are these people going to find out? If it's your assumption that in fact you're the public guardian and customer service office, then how are they going to find out that this money is there, held, I thought, in trust by your office for these people? How are they going to find out if your ministry doesn't take the position that there's an obligation to notify them?

Ms Stratford: Generally the minors are aware of the money because they have a guardian who has been appointed for them, in the event that it was litigation that led to the payment in, and the guardian would inform them about the payment. The parents may be aware and would inform the minors. Generally speaking, there is someone who knows. Most of the money that we have is claimed by the minor when the minor turns 18, if they're able to do it, if there aren't other conditions attached to their ability to claim the money upon reaching the age of majority.

Our function is to keep the money safe for the minor and to invest it appropriately so that there is some return to the minor at the time when they do come to collect the money.

Mr Bryant: This is what I don't understand. If there is an obligation to act in the best interests of the minor—which makes sense; that's what a trustee should do—surely the obligation carries with it a notification obligation. Other offices have an obligation to notify these people. You say some of these people have parents. You're assuming that the office takes a passive role. What about these 1,468 people?

Ms Karakatsanis: Four hundred to 500 notices are being issued each week, and by the beginning of April all cases will have received notices. In those cases where we don't have current address information, we'll obviously have undertaken the search but it may not yet be completed.

Mr Bryant: On what basis does the ministry take the position that it has no active legal obligation as the fiduciary to contact these minors?

Ms Karakatsanis: As I've already said, we have taken the position that we have no legal obligation to notify these minors, but we are now notifying them.

Mr Bryant: I'm saying why, though. Why? I've heard you say that you're going to, but why do you take that position? Why does the ministry say that they do not have an obligation to notify the minors?

Ms Karakatsanis: That is our legal assessment of the obligations involved. We have chosen, nonetheless, to proceed with—

Mr Bryant: Could you share that assessment with the committee?

Ms Karakatsanis: We have chosen to proceed with the notification. I would just be repeating myself.

Mr Bryant: So you won't share the assessment with the committee as to why you do not feel that you have that obligation?

Ms Karakatsanis: I'm stating what the legal opinion is, Mr Bryant.

Mr Bryant: So the answer is no.

Let's get to the delays. We have a case in which two years elapsed before the office became aware that a relative of one of the office's clients had misappropriated more than \$100,000. What's now in place to guarantee that won't happen again?

Ms Karakatsanis: A number of improvements are in place since the last audit which we are confident will ensure that won't happen again. We have more staff. Their caseloads are more manageable. They have the time to not only follow up on the personal needs of the people they serve, but they have more time and more assistance in dealing with the financial and other issues. We also have more supervisory capacity. I've mentioned that we've increased in the area of property guardianship from four to 12 supervisors. We've instituted the new quality assurance and asset control unit. There are now more management information systems. In addition, as part of the management performance system each one of those supervisors will have as a part of their management performance contract the obligation to follow through and act on the reports and ensure that timely action is taken.

All of these efforts in providing better management information, more supervisory capacity, better training and more staff will have the effect of providing us with a better use of resources, more time to focus on people who need us and the financial transactions.

In addition, we have doubled our internal audit capacity and we do have, as I mentioned, new performance management monitoring in place, including the use of technology and logs, some of which will be ready by the end of June.

So there are a number of important systems in place that make me confident that we will be able to take more timely action and to follow up when errors are identified.

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Mr Bryant: I know you'd agree as a manager that sometimes to solve the problem you have to know how on earth it happened. There's one problem that was highlighted in the auditor's report which I know you'll be aware of: the failure to sell the house of a client who had been confined to a nursing home since 1994, despite

repeated requests for the sale of the property from the client's out-of-town children. By early 1999, the house still had not been placed on the market and \$23,000 in taxes had been spent in the interim. How on earth did that happen?

Ms Karakatsanis: There are no excuses for the incidents and cases that were highlighted by the auditor. We are confident, because of our internal audit capacity, that these are the extreme examples. They are not typical cases.

The workload realities at the time meant that when staff were faced with a choice of having to respond to an urgent personal need—someone is being evicted; someone needs medical attention; they need to be connected with some service support in the community—staff would respond to that direct human need and sometimes let the paperwork go. That's not acceptable. The measures I've outlined will correct that and these kinds of cases will not recur.

Mr Bryant: This particular case is quite a horror story. I'm wondering, in this particular example, is this an individual who was responsible for this or was this a result of the systems that were in place at the time? I understand that there are exceptions to the rule, but some exceptions are particularly egregious, and if you had somebody in the ministry who was embezzling millions of dollars, then you'd have to say, "Here's how it happened." In this case we're not talking about embezzling millions of dollars, but we are talking about somebody who was in a nursing home for five years when she in fact should have had the house put on the market. Was this an individual person? Or what happened in this case that would permit this to happen?

Ms Karakatsanis: I think I outlined some of the systemic issues and some of the workload pressures. Often there were different individuals who were involved in cases. As I indicated, often staff were forced to make choices between dealing with a direct urgent need and following through on some of the paperwork. I don't believe there was a particular individual who was responsible in this case. These are systemic issues that we have addressed by hiring more staff, by training them, by changing our processes and procedures, reallocating workload, and making more effective use of the resources.

The Chair: Thanks very much; we'll have to leave it at that. Ms Martel.

Ms Shelley Martel (Nickel Belt): Thank you for joining us this morning. I want to begin with the issue of minor children who are now 18 who are owed money, and I want to ask the auditor a question first.

Erik, is it your view, in the cases you reviewed, that those minors who had now attained the age of 18 or older were generally aware that they had money owed to them?

Mr Peters: Well, certainly there were T3s mailed out. That part of the trustee's duty was carried out, so I guess the income tax was complied with. What we found, though, is that on the T3s that were returned "address unknown" etc no follow-up action took place; they were

just filed and that was accepted. To the extent that the T3s were accepted and addressed to somebody, somebody must have known, because the T3 records income on the assets held by the individual so that would be therefore known. But to the best of our knowledge, no action was taken when a T3 was returned "address unknown."

Ms Martel: So would it be your view that in order to deal with those, certainly there had to be more direct intervention on the part of the office to follow up and to make these clients aware they had money owing to them?

Mr Peters: Yes. I'm a little unclear still in my own mind on this point that there's no legal obligation. I happen to be, on personal matters, a trustee, and I know that I consider that a very serious obligation on my part, whether it's legally or not, to ensure that the people I act in trust for, who happen to be family, are getting the assets and know of their entitlements. So I'm not sure of the legality of the issue.

Ms Martel: Deputy, on that point, are you arguing before this committee that you feel you have no legal obligation because, in the legislation that this office operates under, it doesn't clearly state that there is an obligation? Is that your legal basis for saying you don't see that you have any kind of responsibility that's a legal responsibility?

Ms Karakatsanis: We have a legal opinion from counsel involved that we don't have a legal obligation to provide this notification. However, we have made the decision that we will provide notification, and we are providing notification.

Ms Martel: Before I get to that, when was the legal opinion obtained by the ministry with respect to this particular issue?

Ms Karakatsanis: I don't know when it was initially obtained. It was certainly reconfirmed at the time of the audit.

Ms Martel: I didn't hear your response to Mr Bryant's question, so I would ask if you'd be prepared to table a copy of that legal opinion with this committee.

Ms Karakatsanis: I'm stating the legal opinion that was provided to the ministry.

Ms Martel: I understand what you're stating. I'm asking if you would be prepared to provide a copy to this committee. No?

Ms Karakatsanis: The actual opinion itself would be subject to solicitor-client privilege. I am stating the nature of the opinion.

Ms Martel: OK. With respect to your saying that you are taking it upon yourself now to notify these minors who have now passed the age of 18, I want to get to that process. The auditor completed his audit in February 1999, essentially, and he has stated that in his document that we have before us. You are telling this committee today that in February 2000, a full year later, the ministry is finally doing what it said it would do in the auditor's report, which is to take some proactive action in notifying these clients. Can you explain to this committee why it has taken a full year before your ministry has finally

responded to one of these concerns of the auditor, which was a major concern?

Ms Karakatsanis: I indicated a number of initiatives that have been implemented over the past year. In this particular area, we are relying on technology changes, and as a result of the Y2K freezes and the needs to work on Y2K, it wasn't until the freeze was lifted in February of this year that we were able to institute the changes and start the notification process.

Ms Martel: If I might, Deputy, you would have files where you would have T3 slips returned, and that wouldn't require any kind of Y2K or technology improvements whatsoever to at least start to go back to those T3s and find proper addresses for people.

I'm finding it hard to believe that nothing has gone on on this merely because of technology. There must be other information in the file which would have allowed you to start to contact some of these people to find them.

Ms Karakatsanis: The technology does allow for the most effective way in which to provide those notices. There is a project team dealing with the existing account holders. Where further search is necessary, that search is being undertaken. As I mentioned earlier, all the notices will be out by April 1, and all searches are to commence by that date.

Ms Martel: Maybe I can ask this in another way. What is it about the technology that is so special that it required a full year of delay before it was in place to contact these people? What is so special about what is happening that these people couldn't be contacted in any other way until now?

Ms Stratford: The decision was made to embark on a full-scale notification process last summer. At that time, you're right, there may have been some indication that in some cases we didn't have current addresses. But rather than go out piecemeal, just on the very bare information that we had, we thought it would be much more efficient and be more fair to everyone if we could undergo a full program of notification. In order to do that, we need to be able to tag the accounts where the minors have turned 18 and track where they are in our systems, look and see whether they are entitled to a payout at that time, because sometimes there are other conditions. That required looking at our technology and making some refinements so that we could get the reports issued in that way and so we could get that information. That's what there was a delay in getting.

Ms Martel: Can you tell us what happens now in terms of this project? You'll send notification out; you expect that that will be done by April. What will be the follow-up on the part of your office with respect to that notification?

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Ms Stratford: It will depend on what the results are. Obviously, if the address is current, then there's no problem; the minor will have been notified. If we find that we don't have a current address, if our notice is returned, we'll have to embark upon various kinds of

searches to try and track down where that person has gone.

Ms Martel: What does the notification include? What are you saying to potential clients?

Ms Stratford: I don't have a form of it with me, but we're basically telling them of the existence of the account, the balance of the account and the paperwork we would need in order for them to get a payment out.

Ms Martel: If you have a significant number of people who reply positively, what will be the effect on your staff resources to then disburse these assets?

Ms Stratford: We'll have to see what the volume is, but we recognize that this is a priority for us and we will ensure that we put in place the resources to provide a timely kind of response to any requests that are made.

Ms Martel: How many staff do you have targeted for this particular initiative?

Ms Stratford: We have eight staff who work in the accountant's office and we have many of them deployed to this task. I'm not exactly sure how many you might say are exclusively deployed to it, but there are others in the office in the finance area whom we can call upon to assist the accountant function, and we have done so in the past, if there are workload issues there.

Ms Martel: How many people are you notifying?

Ms Stratford: We're sending out about 400 or 500 notices a week. We have at this point about 5,000 accounts that we are providing notices on altogether.

The Chair: I'm sorry, 5,000 accounts in what? I missed that.

Ms Stratford: Accounts that we have where the minor has turned 18. That was as of December. As of now we have 6,140 accounts where the minor has turned 18 and we have accounts for them.

Ms Martel: What is the total asset worth for those 6,140 accounts?

Ms Stratford: It is \$65 million.

Ms Martel: That's a lot of money for a lot of people. That is far higher than anything that was identified in the auditor's report. I'm having trouble understanding the difference between what the auditor reported on, which was in the order of \$13 million for about 1,200 clients, and this figure. Have I made a mistake in my question?

Ms Stratford: I think the auditor was looking at age 25 and over at an earlier point in time, and that was that smaller universe.

Mr Peters: If I may explain, the 25 seems to be in certain trusts a magic date, or 21, but sometimes people have left the 25. Many people have; that's why we took that as the cut-off.

Ms Martel: In actual fact, for everyone over 18 who would be entitled to something, or partial entitlements, we're looking at about \$65 million.

Ms Stratford: Right. Some of those may not be entitled. That's the gross amount of money we have on account for minors generally. As I said earlier, there may be some conditions attached to the payoffs. There may be certain things they aren't able to satisfy and therefore

they can't get the money immediately. But that's the gross amount.

Ms Martel: If some of those people start to come forward, you will need to hire some staff to deal with the situation.

Let me follow up on two other commitments that you gave the auditor to see where those are as well. The second one had to do with the pre-1996 cases for locating heirs. The audit showed that in the cases after 1996, you had contracted with outside firms to locate those heirs, but virtually nothing had been done on the cases pre-1996. You gave a commitment to the auditor to undertake a special project to determine how you could improve on conducting these searches for the pre-1996 files. Can you tell the committee what's happening with that special project?

Ms Stratford: We have a group of files open from 1990 to 1995 where previously we had not undertaken heir searches. There are about 450 files that are worth over \$10,000 in that category, and for every one of those files we will have initiated an heir search by the end of March of this year to see if there are heirs who are entitled to make some claim on those monies.

Ms Martel: There are 450 files, the value of which is?

Ms Stratford: Each of which is worth over \$10,000.

Ms Martel: What about the cases where you have a value that is less than \$10,000 but it is a pre-1996 file? What are you doing on those?

Ms Stratford: At this stage we haven't planned a similar kind of initiative, but we are prepared to look at that as the second phase of our exercise.

We have to consider, in doing an heir search, whether the cost of the search is going to make the whole search exercise worthwhile. If it is going to be an extensive search and a costly one, then of course the value of the estate is relevant, because the estate would be bearing the cost of the search. So for a very small estate it may not be worthwhile to undertake the search. After the search there may be nothing left of the assets that were in there in the first place.

Ms Martel: How do you base the cost to the estate? What is it based on, a percentage of the entire assets?

Ms Stratford: We use internal staff to do searches to the extent that they can. We also have sometimes had to contract with genealogists if the search is more extensive. We pay them an hourly rate, which is charged back to the estate.

Ms Martel: I notice there was a change from a certain percentage of the estate being requested to an hourly rate. Has that saved money for heirs or has it cost them more? Do you have a sense of that?

Ms Stratford: I think you're referring to heir tracers and their practice of charging a percentage, which is why we try to find the heirs ourselves before we actually apply for administration of the estate, because at that point the heir tracers become aware of the file, and it is their practice to charge a percentage, often a very large percentage. In order to try to protect the inheritance, we try to undertake the search, as much as possible, inter-

nally ourselves or through our own privately contracted genealogists who charge by the hour instead of as a percentage. We've found that to be much more cost-effective.

Ms Martel: But with respect to the post-1996 files, I understood that you were contracting with outside firms to locate those. Are you doing that in all cases, and continuing to do so?

Ms Stratford: Only where we aren't able to find them ourselves internally or through our genealogists. An heir search using heir tracers is really the last resort.

Ms Martel: For the 450 files that you are looking at now, how many staff are dedicated to that operation?

Ms Stratford: I'm sorry; I don't have the exact number. I can find out.

Ms Martel: OK. And how many files would be left that are less than \$10,000 where there might be no activity ongoing at all, pre-1996 files?

Ms Stratford: I don't think I have a number for you. I'm sorry. I can find out.

Ms Martel: Can you tell the committee, of the 450 files with a value greater than \$10,000 in terms of the estate, what is the total value of the money that's outstanding for those 450 files?

Ms Stratford: I just don't know that either at the moment but can certainly find out.

Ms Martel: Let me just be clear on where you are in this process. If I understood you correctly, you have started this process and you hope that by March you will start to have some initial results. Is that correct?

Ms Stratford: Yes. We're planning to have initiated searches on all the files by the end of March. Then it's a matter of receiving feedback from where we are in the search to that extent, and heirs or potential heirs coming forward and their ability to prove their claim.

Ms Martel: When did you start this process?

Ms Stratford: We began the process last October, I believe.

Ms Martel: This was another instance where the auditor reported in February and the ministry had said they would undertake this particular initiative, and it would seem it was about a six-month delay to get that underway as well. Was this another technology problem?

Ms Stratford: No. We had certainly recognized that there was a universe of files for which we hadn't undertaken thorough heir searches. It was a matter of prioritizing work and using the resources we had according to those priorities. With heir tracing, you are obviously going to have better results the newer the estate file. The fresher the history, the easier it is to locate and identify heirs. So we began with the newer files and concentrated on those because we thought we would get the best results from those. It was only after we were able to get that workload up to a current status that we were able to then go back and look at the earlier files.

Ms Martel: I want to back up, because in the auditor's report he made it clear that since 1996 you were contracting with outside firms and that work was proceeding. But at the same time, when the auditor did some

work, they looked at a number of cases that were older than 10 years where it seemed that nothing had gone on. It was at that point that the ministry made a commitment to look at the pre-1996 files. As I understand it, there was at least a six-month delay between the end of the auditor's work and the ministry's commitment to start the work on the pre-1996 files and before that work actually started. I'm not understanding you telling this committee that you were dealing with some of the other cases; we knew that at the time the auditor made his report. That was not something new that was going on in the ministry.

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Ms Karakatsanis: I referred to quite a number of procedures and processes and management reports and organizational changes and the recruitment of new staff and training. These are all initiatives that have been occurring over the last year and two years. Obviously, we can't do all of those things at once. We have been doing all of those things over the last number of years and implementing them as we were able to in the most effective way possible.

Yes, this was a priority. It was something that was begun. But we were also working on implementing other improvements and other changes to the program. As a whole, there was immediate response in many different areas.

Ms Martel: Was it a staffing problem, Deputy, that staff couldn't be allocated for this particular project?

Ms Karakatsanis: Throughout last year, the office was involved in determining how to reorganize, what positions needed to be recruited, recruiting for those positions, providing training for those positions, examining the process and procedures in a number of cases. Risk investigation, for example, is an area which would receive priority. In that area, there have been changes made to the process so that investigations and referrals, as they come in, are prioritized. The higher-risk cases are acted on immediately.

As the office has looked to implement many of the changes, it's had to make choices about which ones needed to be acted on first. As many of the improvements have been rolled out, they've been done so with regard to the other changes that were happening as well.

Ms Martel: There is an issue as well of compensation fees that would be paid once the heirs are located. The auditor certainly made it clear that in a number of these cases people would be assessed fairly significant fees through no fault of their own because there had been a delay in dealing with these cases. Is the office going to waive the compensation fees for the pre-1996 files once you start to process them and track down heirs?

Ms Stratford: Where we think there's been an undue delay in dealing with an estate, we do waive our compensation fee. The various files will have to be assessed to determine whether we think there was undue delay in those cases. If so, then we would consider waiving compensation.

Ms Martel: How do you describe undue delay?

Ms Stratford: Depending on the circumstances of the file, it would vary. It would depend on the complexity of the file, what actions had been taken, what actions were in the hands of third parties, what kinds of things we had to do to follow up. It really does depend.

Ms Martel: Generally, if there was a lack of staff to make this initiative a priority, and most pre-1996 files were sitting without action, would that be a case where there was undue delay?

Ms Stratford: Possibly.

Ms Martel: You can't tell the committee that right now all of those cases where virtually nothing was done before 1996 will in fact have that compensation waived. You're still going to look at it on a case-by-case basis as you locate the heirs.

Ms Stratford: That's right.

Ms Martel: The other project that you gave a commitment to the auditor on had to do with the distribution of funds once you found someone. The auditor noted that in many cases at least one third of the files had delays of more than two years. There were more excessive delays for other files as well. You said to the auditor in February that you were going to retain some temporary help to clear the backlog of the older files. Can you give the committee an idea of what's happening with that initiative?

Ms Stratford: We have set up a special project to deal with those files. We have made some very good progress in complying with our timelines for distribution. Of the older files that we had on hand that were ready for distribution, by April we will have distributed all of those estates. Estates that we have on hand for further follow-up will have been actioned for follow-up.

Ms Martel: Can you tell the committee when this project actually started?

Ms Stratford: We introduced a number of procedures in 1998 to make the entire distribution process generally more efficient. We have improved in our timeliness since that time. We have recruited some additional estate officers to assist in the front-line work in distributing estates. At this stage the backlog project which was commenced last summer is making good inroads into reducing the backlog, to the point where the estates that are ready to distribute will be distributed by April.

The Chair: This will be the last question, Ms Martel.

Ms Martel: How many estates are we dealing with?

Ms Stratford: At present there are 43 files that have been pending for a year or more. Those 43 will be cleared by April.

The Chair: Mr Martiniuk.

Mr Gerry Martiniuk (Cambridge): I'll lead off, followed by Mr Maves and Mrs Munro.

I'd like to deal with the notification of minors. I'm curious; is this a new initiative on the part of the ministry? You've already stated, I believe, that the legal opinion of the ministry and its solicitors is that there is no legal obligation, but the ministry has chosen to now notify minors that money is being held. Is that correct?

Ms Karakatsanis: That's correct.

Mr Martiniuk: And not only notify them, but in the event that letters are returned, to attempt to trace them in order to notify them.

Ms Karakatsanis: That's correct.

Mr Martiniuk: Was there a time when that new policy was in force in the past?

Ms Stratford: A notification policy?

Mr Martiniuk: Yes.

Ms Stratford: No.

Mr Martiniuk: I see. So for instance, when Ms Martel's government was in power, from 1990 to 1995, did their ministry notify minors, as we are doing at the present time?

Ms Stratford: I'm not aware of any such policy.

Mr Martiniuk: OK. And when the official opposition was in power up to 1989, was there a policy of notification at that time?

Ms Stratford: I'm not aware of such a policy.

Mr Martiniuk: Thank you.

The Chair: A very effective cross-examination.

Mr Martiniuk: I think I knew the answers.

I would like to deal with the 1996 internal audit. I'm just curious. I assume that the internal standards had been created prior to the 1996 internal audit, or were they created afterwards?

Ms Stratford: Performance measures were set officially in 1998, in the office. There had been various procedures and policies that had different timelines recorded in them that we might consider as rules of thumb and that kind of thing, but official performance measures were not set until 1998.

Mr Martiniuk: So the 1996 internal audit could not deal with them, obviously.

Ms Stratford: That's correct.

Mr Martiniuk: Could you elaborate as to the procedure that was followed in 1998 in determining these performance standards—the use of other institutions as comparables, their standards if they were available—and who actually established the standards?

Ms Stratford: We did a great deal of consultation to try and establish the performance standards. However, we did have difficulty with respect to particular standards for public trustee offices like ours, because there are no other such offices in the country that had standards then or that have them currently. Some are talking with us about developing their own and hoping to learn from our experience, but we weren't able to draw upon any precedents from like operations in the country.

So we could only look to things that were kind of similar operations, social service-type operations, those kinds of things, to give us some guidelines and ideas of what we might consider reasonable, talking to investigators in other kinds of programs to see what might be reasonable, for example, as an investigation standard, or just using common sense in some cases to try and determine what might be a reasonable and adequate standard in the circumstances and then just going from there.

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We did set our standards quite high. We wanted to be sure that the standards we had set were things that staff would strive for. We knew that we wouldn't achieve them all immediately. We set targets that would incrementally move us more towards the standards we had ultimately aimed for, but clearly we were looking for a program of continuous improvement towards those standards.

Mr Martiniuk: You can help me with some confusion in my mind, because if there were no direct comparables, therefore the standards were in effect arbitrary in the sense that they were unique to this institution. We've heard discussions regarding a management standard of 5%. Could you explain what that management standard is, and when you established your standards, did you have cognizance of the management standard of 5%?

Ms Karakatsanis: Perhaps I can answer. The 5% was a reference to a trust industry standard for errors. Recent inquiries have indicated that trust companies do not have such standards. They don't measure error rates and they don't have a standard in place.

From our perspective, our goal is to have zero errors. That is our goal. What we have done is set performance measures for the timely action taken on issues and measure our progress in steadily improving the timeliness of our actions. Those measures are showing steady improvement.

To take a few examples from the Provincial Auditor, in terms of client visits, we have now visited 48% of our clients in the last year, which is double the year before. In terms of processing private guardianship applications within the four weeks: At the time of the audit, we were achieving that standard 40% of the time and now we achieve it 94% of the time. The initiation of legal proceedings within two days: There were only two cases this past year where we didn't meet that two-day standard—one was three days and the other was seven days.

Performance standards are a way of measuring progress to our goal. Our ultimate goal is perfection. That may be unrealistic, but we don't want, and we don't believe there should be, any errors. I just want to emphasize that we are the only public guardian-trustee in this country which has established performance measures and which measures its progress against those measures. That's a very important tool of accountability and it's one we believe in.

Mr Martiniuk: I'd like to key in on errors, because "error" is a nebulous word. When you're measuring errors, how do you qualify those errors? We're talking about a quantitative number of errors, but are all the errors of some severe impact in that the estate—I'm talking about the money—would be adversely affected, or are there errors that would not lead to a pecuniary impact on the estate?

Ms Karakatsanis: It is a problem with the way we are measuring errors. All errors are counted as errors, whether they ultimately have a direct impact on the well-being of a client, whether they're a delay in a payment or

something that has more serious impact. Every activity, every transaction on files that are an average of 11 years old are scrutinized. If there is one error, then we count that as a case on which there is an error, and that might be one error out of hundreds, often thousands, of transactions.

Obviously, the impact of errors varies. In many cases, the nature of the errors relates to the timeliness of action taken. In the past, there have been some extreme examples which we are satisfied we are eliminating. But we need to look at the way we measure errors to do a better job of defining those that have a significant impact on the well-being of the people we serve.

Mr Martiniuk: One last short question. We've heard that some standards may have been modified since their inception in 1998. Can you tell me who would do the modification? Is there a committee, and how often would they meet and consider the standards in place?

Ms Stratford: We have a senior management committee in the office which represents all the business areas in the office. We meet biweekly and we review those performance measures every quarter. We have an internal reporting system on the measures that reports quarterly. At that point we look and see whether the results we're getting are, first of all, satisfactory, whether there are some improvements we need to make. But we also look at the measures themselves to ensure that we're measuring the right things, to ensure that the things we intended to measure are being captured by the particular measure we've chosen.

In some cases we have found that we need to describe it a different way to really capture what we're after. In some cases we have determined that the measure is incorrect, that it isn't an appropriate measure, and now, with the benefit of experience and having heard from the various managers and their experience talking to the front-line workers and how it actually works on the ground, we have determined in some cases that we need to make adjustments. So in those cases, we make the changes that are needed.

We also have an external advisory committee, the guardianship advisory committee, which is composed of external experts and people who work in the area of the clients we serve and stakeholder group representatives, people from the college of nurses, people from the OMA, others who would have interest and experience in the area. Where we have issues about what our measures should be, we can take them to that group and ask for their advice as well. As we've said, it's difficult because there don't seem to be really good comparable measures available externally, but we're certainly interested in people's thoughts and feedback on what we do have. So we have a regular review internally and we have the external potential for review as well.

Mr Bart Maves (Niagara Falls): Just a question for clarification off the start. Deputy Attorney General, how long have you been in that position?

Ms Karakatsanis: Just a little over two years.

Mr Maves: Ms Stratford, how long have you been in your position as the public guardian and trustee?

Ms Stratford: About 14 months.

Mr Maves: The first question I wanted to ask is going back to some of Ms Martel's questioning, when she was talking about finding people, heirs and minors. There's one thing that I find interesting: that there seems to be difficulty in locating people. I wonder what kind of access to information you have from Revenue Canada, the Ministry of Transportation, the Ministry of Health and so on and so forth. I would think that to find an 18-year-old I would simply call the Ministry of Transportation and ask for the person's address. It seems that maybe that's not the case.

Ms Stratford: I don't have the answer for you of exactly what our procedures are. I'd have to talk to staff and find out exactly what avenues they pursue. I don't want to mislead you by guessing, so I will have to find that out.

Mr Maves: At the Ministry of Community and Social Services we've got reciprocal agreements with credit bureaus, with Revenue Canada—we never had them before; we have them now—with the Ministry of Transportation and so on. I can't imagine, if we have them, that your office wouldn't also have them, and therefore locating those people should be easy, I would think. I'm happy to have you follow up with that, unless you have more on that.

Ms Karakatsanis: No. Obviously those are areas that we would pursue. Those sources of information subject to any privacy concerns are areas that we would look into to assist us in locating minors or heirs.

Mr Maves: I can't imagine there being a privacy concern when you're trying to locate someone and give them money that is their money.

You talked about some of the cases that the auditor identified and that Mr Bryant talked about, and you said they are extreme cases. I accept that some of those cases that have been publicly highlighted were extreme cases. What I want to know is, did you comprehensively review these cases after they were brought to light?

Ms Karakatsanis: All of the cases that were highlighted by the Provincial Auditor have now been examined and resolved.

Mr Maves: My next question is a little more difficult for you to answer, and I apologize for that. What kinds of corrective measures have you taken? Have there ever been employees dismissed over some of these cases or is it just, "We're going to retrain them and hope it never happens again"?

Ms Karakatsanis: The problems that were outlined were based on systemic problems in the program—their workload pressures. As I indicated, where staff had a choice between dealing with often daily crises and personal needs of clients, those took precedence to the financial transactions and paperwork that was required.

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The new staff that's being hired is resulting in a lower caseload, a more manageable caseload. In addition, we

have reorganized the way in which we allocate caseloads to ensure that it does group together cases by complexity, by location and by where the people reside in the institutions.

As part of the overall accountability of the program for following up on errors, we have, as I mentioned, new supervisory capacity. It is going to be in the performance contracts of all the new supervisors, and existing ones, that there is an obligation to monitor and follow up. There will be accountability in that way.

Mr Maves: I appreciate that. I appreciate some of the steps you've been taking since the auditor came back. I appreciate that you're bringing in performance measures. I think they're absolutely necessary.

I take it from your answer that there hasn't really been any turnover as a result of some of those cases that were unveiled. It doesn't sound like there's much.

Ms Karakatsanis: There actually has been turnover in the office, but—

Mr Maves: Well, as a result of those—

Ms Karakatsanis: No, my understanding is that the problems were systemic in nature and that there was no individual staff member who was involved in any one of the particular cases. That's my understanding.

Mr Maves: It's hard to understand how no individual employee could have been involved in any of the cases. Surely some of them had responsibility for handling some of these cases.

Ms Karakatsanis: Yes.

Mr Maves: So obviously there were individual employees. Have any of them—

Ms Karakatsanis: Oh, yes. There were individual employees; I didn't mean to suggest that there weren't. It varies. It's not always the same employee who deals with any particular case. And as I said, caseloads were such at the time that staff focused on the crisis situations, the personal needs, sometimes to the detriment of their financial needs.

Mr Maves: Has anybody who may have been identified as having some human error involved in some of these poorly handled cases—I know you've got some more management and supervisory positions. Have any of those people been promoted, to the best of your knowledge?

Ms Karakatsanis: I don't know the answer to that question.

Mr Maves: OK. The reason I'm asking some of these questions is that my experience with bureaucracy quite often is that when the Provincial Auditor will find errors or glaring mistakes over the years, not just in your department but in many departments, I end up finding out that the people who were responsible end up getting promoted. I always think that's somewhat astonishing.

The Provincial Auditor has said, after he did your review, and I'll quote him from a newspaper article, "It's not just the numbers"—when we talked about the new employees—"it's also the kind of people they have engaged. Are they good trust administrators?"

My question is, when you went out and hired 43 new people, what were the key qualifications that you looked for in those people?

Ms Karakatsanis: The public guardian and trustee will answer that question directly.

Ms Stratford: There were a number of skill bases that we were looking for. We were interested in seeing experience in like kinds of operations. We were looking for people who had some education in the area. We were looking for people who had the ability to communicate, analyze and problem-solve. We were looking for the ability to work in the various areas that we have, because the client representatives perform a number of functions. There is a financial component to the job. There is also, as you've heard, a social service kind of component to the job. So we're looking for a unique person who can perform both of those functions, who can not only deal with the finances but also have enough of the social skills and the ability to empathize and to understand our client base so that they could do both sides of the job, the financial and the social service.

We were looking for a very unique person and we were able to attract a large number of applications for the positions and to select people who we think were uniquely qualified for the work.

But it is a very broad mix of skills and we were very mindful of the fact that we needed to hire people who did have the background or the potential to be the type of client representative that we want to have in place to serve our clients the very best that we can.

We're quite satisfied that the candidates we attracted and interviewed did have those credentials, and we feel the people we ultimately selected do meet the qualifications that we were looking for for those positions.

Mr Maves: Chair, just because I know the auditor was concerned about this, and I share that concern, I'd like to request at the end of our proceedings that we request from the office of the guardian and trustee maybe some copies of resumés of people they actually hired into those positions. I'm perfectly happy for them to black out any parts that would identify people. I would like to satisfy in my mind the auditor's concern about the type of people who have been engaged to continue on in this.

The Chair: Is there any problem with respect to that request?

Ms Karakatsanis: Perhaps we could provide the job applications and qualifications which are listed in there. Would that serve to highlight the qualifications we were looking for in the recruiting?

Mr Maves: I would like to see if the people who were hired were suited for it. I don't want to know any names or anything like that; I'm just curious as to that component.

The Chair: We can discuss that later.

Mr Maves: I'm happy to discuss that when we go in camera. That's fine.

The Chair: That's the 22 minutes, Ms Munro, according to my watch anyway. It's 12 o'clock now. We'll recess until 1:30, because there are some more questions

that members have. The hearing stands adjourned until 1:30 this afternoon. Thank you.

The committee recessed from 1157 to 1333.

The Chair: I call the committee to order. We'll start with a new round of questioning from the official opposition. I'm proposing that we go in the same rotation as this morning and that we limit the questions to 20 minutes at this stage. Then we can see what we do after that.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): I know that we heard a lot here this morning about new staff and trained staff. I would just like to know how your number of staff compares to 1990.

Ms Karakatsanis: I don't have that information. I can tell you that in 1993-94, there were 207 staff. Last year there were 269 and this year there are 319 funded positions. I don't have the earlier year that you mentioned.

Mr Cleary: Could you get that information to us?

Ms Karakatsanis: Yes. It was for what year?

Mr Cleary: I want to know how many staff you had in 1990.

Ms Karakatsanis: OK.

The Chair: Could you pull the microphone a little closer to you, Deputy, please?

Ms Karakatsanis: I'll pull my chair in.

Mr Cleary: My other question: You said there are 6,140 accounts and there is \$65 million. Where is that money right now?

Ms Stratford: That's on account with the accountant of the Superior Court, which is a program that we operate.

Mr Cleary: You have control of that money right now?

Ms Stratford: Yes, we do, and we invest it in accordance with the investment policies that we set in the public guardian and trustee's office. We set those policies in conjunction with our investment advisory committee, which is a committee of external experts who advise us on what kinds of investments would be prudent for the money that we hold in our various accounts.

Mr Cleary: Where does the interest on that money go?

Ms Stratford: We credit the interest to the accounts of the people for whom we are holding the money.

Mr Richard Patten (Ottawa Centre): The auditor should take a look at Air Ontario. That's twice in two weeks I've been late. I missed your presentation and the first round of questions, except the last part of that, so you may have addressed this question. The auditor's report identifies a high number of negligence claims, which I presume to mean that those are court challenges or legal challenges. How numerous are those?

Ms Stratford: In 1997 there were seven claims; in the 1998 fiscal year there were eight.

Mr Patten: Were they settled?

Ms Stratford: They were.

Mr Patten: If I might just clarify with the auditor, when you say "negligence claim," that's what we're talking about? These would be legal proceedings?

Mr Peters: Yes.

Mr Patten: There were examples of situations where, because of the handling, some of the proceedings went awry. I wonder if you have a protocol or a set of procedures that prioritizes, for example—I won't identify the specific claim, but there was an instance in which someone actually had considerable money in a bank account and yet the guardian's office was proceeding with selling someone's furniture prior to liquidating any assets in the bank for tax bills that had come in from the city, and these were relatively small amounts. Have you addressed that sort of issue? In other words, what would be your approach in identifying what you do with assets that may have to address certain liabilities?

Ms Karakatsanis: I have addressed some of these issues with some of the other members of the committee, but I'd be happy to address your question.

First of all, I would like to make clear that we take very seriously the issues that were raised by the auditor. We have implemented some measures that are already showing improvements and have laid the foundation for more improvements in this area. We are absolutely committed to correcting that.

There were at the time issues around caseload and the amount of supervisory staff who were available to take corrective action once errors had been identified. We have improved this by adding 43 new staff to the office. All of those positions will be filled as of April 1. There has been recruitment over the past year.

The increase of supervisory positions in this area of property guardianship is from four who were in place at the time to 12 now. Many of the procedures and policies have been reviewed. They are being constantly updated. There are management reports that highlight when certain actions should be taken and when it appears that someone is not receiving the income that they should.

1340

The increase in management supervisory capacity, increased training, particularly focusing on the areas identified in the audit, the reallocation of workload and caseload will help us to have more effective use of the existing resources as well as to allow us to draw on the availability of the additional staff.

The caseload has been reallocated in a such a way that those complex cases where people have assets, where they're in the community, where there are legal issues or where there are other factors that make them a complex case, those are being grouped together with relatively small caseloads of 95 and given to very senior client representatives who will be assisted by staff. By being able to focus and provide smaller caseloads in those areas where there are assets that need to be tracked and dealt with and where there is more complexity in the cases, there will be more time for the client representative to spend on those cases. In addition, they have now been grouped geographically and by institution, which allows the staff to be able to visit more frequently and to deal directly with the caregivers in those institutions.

We have enhanced our internal audit capacity. We have created a new service: quality assurance and asset

control unit. In the past year there was an audit of all real estate that is held and detailed instructions were given. The audit capacity, the quality assurance unit, will be issuing management reports that indicate where action is necessary, and it will be part of the performance contract and the performance expectation of all staff that corrective action is taken.

Those are just some of the improvements that we have been implementing, and there are more. In a couple of areas where we think there is particular risk, and the risk investigations is a good example, we have revised the process to ensure that priority is given to those cases that have higher risk so that they're dealt with first. As well, we have increased the number of investigators by 30%. There is an automated tracking system that's being developed and will be implemented by the end of June. We are the only province that has performance measures, so we're the only province where the public guardian-trustee has performance measures.

Mr Patten: Given your experience—

Ms Karakatsanis: So we can improve in those measures. If I can perhaps just point specifically to those examples that were highlighted in the audit, I can give you some comparisons with today.

The processing of private guardianship applications within four weeks: We were meeting that standard 40% of the time. We now meet it 94% of the time.

Legal proceedings being reviewed and initiated: We used to meet that within the two days' period, commencing the work. We used to meet that 80% of the time. It's now 89% of the time.

The 90-day file review, which we were only achieving 60% of the time, we are now meeting 82% of the time and, effective April 1, there is an enhanced and more expanded 90-day file review that is being implemented with the new staffing structure.

Visits have increased from 25% to 48%: We visited twice as many of the people we cared for last year than previous years.

So the performance measures themselves I think indicate substantial improvement in those areas that were highlighted by the auditor.

I don't want to leave this without acknowledging the concern we have for the issues that were raised, and I want to indicate that we are committed to rectifying them.

Based on our internal audit—and we have audited many files; in the past year alone, we have audited fully the 888 files—we're satisfied that those examples are not typical. They are extreme cases, and we are committed to ensuring that they don't happen again.

Mr Patten: OK. I have three very short questions here. Based on your experience and your review and the establishment of your performance standards, have you identified a particular set of procedures—in other words, if you have to liquidate anything to address liabilities, you deal with cash first rather than property, that every effort is made to find or concur or discuss with relatives of the individual concerned any possible—you know,

whatever those procedures are. I'm looking at whether you have a set of procedures, because some of the mistakes that have happened in the past have tended to be, "Why would you do this rather than this when there are assets over here?" that there are liquid assets, or there are situations of taking many years to place a house on the market or certain assets etc.

I don't want a long answer. I'm just wondering, have you established now a particular approach? I'm assuming that these investigations you have are all in-house, or do you have some of these sent out to private consultants to manage?

Ms Stratford: I'm sorry, the last part I didn't quite hear. You're asking about investigations?

Mr Patten: Yes. Are the investigators internal?

Ms Stratford: Yes, internal. We have investigators on staff who carry out the investigation.

In answer to the earlier part of your question, we certainly do have procedures that are followed in determining how to manage the finances of one of the people whom we look after. Our mandate is to act in the best interests of the people we serve. That would include, in the area of their finances, making sure that the decisions we make make the most sense in the circumstances. So certainly if there are assets that can be easily liquidated to meet the client's needs, we would turn to those assets before we would look at real estate and other assets, unless it's been determined that the client has no further need, for example, of real estate.

If there are family members around who are willing to be involved at least to the point of consultation, even if they won't be involved in taking care of the person's finances, then we would consult with them and certainly consider their views on subjects like what kinds of assets to liquidate and how to go about managing that person's finances.

Mr Patten: You talked about increasing visits and you've somewhat divided up your caseloads on a regional basis, or however that breaks out. Is that handled through some of your regional offices? Is this now a regionalization of the program? Are there actual people being dispersed to areas or is it being handled by some of your AG offices in different parts of the province?

Ms Stratford: We have a number of regional offices. We also have investigators who are based centrally. So there are some investigators in the regional offices and they would handle the investigations in that area. There are client representatives in every regional office, so the clients in that area would be served by the client representatives in that area. We also have treatment decision consultants in each of the regional offices who serve those clients who require treatment decisions.

Mr Patten: Before I pass it over to my colleague, I'll be interested to see whether the increase in personal contact visits etc will be supportive and helpful in your program. I suspect it will, and therefore I find it somewhat ironic—and I know this wasn't your decision, either of you, because you weren't in the office at the time—that the family support program, which also has a high de-

gree of necessity for personalization or personal interface, where possible, with extremely sensitive circumstances, has been totally centralized and has taken away the element of some of the regional offices, which I certainly hear about in my office. That's just a comment. You may or may not want to react to that.

Ms Karakatsanis: I'll react to part of it, if I may. In terms of the social work and the personal support we provide to many of our property guardianship clients, many of their needs relate to their day-to-day living decisions, so if they need emergency medical treatment or if they need new living quarters or if there is any kind of personal crisis, that's part of what we do to respond to their needs. About a third of the time of our client representative is spent on dealing with those direct human needs of the clients, particularly in those cases where the clients are in unregulated settings or are in the community. These are people who are challenged in many ways and who have special needs, so particularly in those cases we do feel it's important to visit them.

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I have to say that when I talk about the number of clients that we visited, I'm not including repeat visits. There are some clients who have very many visits. We're not including visits by members of the staff other than the client representative. There are some clients who are in very regulated settings whose financial affairs are very simple, where a personal visit is not absolutely essential to the management of their financial affairs. Other provinces—

The Chair: You've got four minutes left.

Mr Bryant: We're willing to concede that point. I'm going to have no time left unless I go forward.

Ms Karakatsanis: Just very quickly, other provinces didn't have similar policies for visiting. They're just slowly now coming to that.

Mr Bryant: Excellent. Getting back to this legal obligation, my concern is this: I understand that you're now notifying minors. The concern is that the government believes that it is at their discretion, and previous governments have believed that it was at their discretion, to notify these people. You have a legal opinion that supports that. My concern is that the legal opinion is wrong.

I went to the library on my break. Donovan Waters, who I don't need to tell you is the guru on trusts, has said, "If there is a discretionary power or trust to perform," which obviously the public guardian and trustee has, "that trustee should not only consider whether or how he should exercise it"—we know that that happens—"but in the first place inform the potential beneficiary of the beneficiary's interest and outline the terms of the trust," suggesting that in fact it's the primary duty to inform and to advise.

The problem is that what we have with this office is a legislated conflict of interest. I understand it's permitted. As you know, under trust law, the trustee can never profit from the beneficiary—can never profit. But that happens. After 10 years' holding this money, the trustee gets it back; in this case, the province. The trustee takes a per-

centage of the assets that come into the public guardian and trustee's office in order to administer it.

The appearance—and I'm talking about the appearance, and appearance is important when it comes to trust—is that there's a potential for a boondoggle for the government. If they do nothing for 10 years, they get the money. So the incentive would be to do nothing for 10 years so they get the money, because of course it reverts to the trustee at the end of the 10 years. If, on the other hand, there's an obligation for them to notify and move forward, then that is going to remove the appearance of the boondoggle.

Can you tell us now, upon reflection, what is the legal analysis that refutes the god of trust, Donovan Waters? Was it a written opinion? Was it an oral opinion? Why won't you table it with this committee when you know very well there's no privilege that attaches to a document that you've already made the subject matter of our conversation. You've waived privilege already.

Ms Karakatsanis: I have earlier stated the legal position of the public guardian and trustee. I also stated that notwithstanding that, the government has now taken on this obligation to inform the holders of these accounts once they reach their age. As you know, the specific opinions are subject to solicitor-client privilege. That is something that the government—

Mr Bryant: You've waived privilege. We're the client. The people of Ontario are the client. We waived it.

Ms Karakatsanis: I have stated the position. In any event, the point here is that we have taken on this obligation to notify them. We do notify them.

Mr Bryant: You can take off that obligation too.

Ms Karakatsanis: In fact, 75% of those who reach the age of majority and are entitled to receive their money do in fact access their money, or they're aware of it and choose to leave it there. The money does not revert to the crown. In the case of an estate where they have not been claimed for 10 years, that does revert to the crown, but if the heir ever shows up, the money is still there.

Mr Bryant: He shows up, but you have to rely on them to show up. This is my concern. Was it—

Ms Karakatsanis: If I could finish—

Mr Bryant: Mr Martiniuk asked you some pointed questions and I want to ask you a pointed question. Yes or no, do you have a written opinion that contradicts what Professor Waters is saying?

Ms Karakatsanis: I don't want to engage in further debate about this, Mr Bryant.

Mr Bryant: Yes or no, do you have it or don't you?

Ms Karakatsanis: I stated the—

The Chair: Let her answer, Mr Bryant.

Mr Bryant: Okay.

Ms Karakatsanis: I've stated what the position is of the—

Mr Bryant: What is your office hiding? Why would you not table this opinion?

Ms Karakatsanis: It is clear that we've taken on the obligation. This is something new that we've agreed to do, to notify those holders of accounts of the—

Mr Bryant: But if you have no obligation, then you can withdraw that willy-nilly next year. That's my concern. It's in your hands. I don't want to leave it to your discretion.

Ms Karakatsanis: I've given my answer.

The Chair: Thank you very much, Mr Bryant. Do you have any final comment, because the time is up.

Ms Karakatsanis: I've given my answer.

Mr Martiniuk: Mr Chair, it might expedite things if we permit Mr Bryant, with the approval of Ms Martel, to have an additional few minutes to follow his line of questioning. I'm willing to give him three or four minutes more.

The Chair: Does everybody agree that Mr Bryant can have three or four minutes more? Do I hear any objection? No. Continue then, please.

Mr Maves: You're generous.

Mr Bryant: This is my last kick at the can on this, I understand. That's what that means.

Three questions. Firstly, is it the concern of the ministry that if they acknowledge the legal obligation to notify, pursuant to the law of trusts, that in turn they will incur some legal liability? In other words, they will increase their exposure and what it's going to mean is more lawsuits and not unlike the ones that were the subject of Mr Patten's questions. Is that the concern?

Ms Karakatsanis: The ministry responded to the issue that was raised by the Provincial Auditor. We looked at the issue and determined that it was appropriate to provide notification to minors who were eligible to recover their funds. That was the motivation.

Mr Bryant: The procedures and protocols when a call comes in or when a case is being dealt with—there must be a protocol as to what is done and so on. Are there procedures and protocols that you table so that we can see what the protocol is? Rather than going through job descriptions and resumés, we can see what hoops are jumped through. Is there something in writing on that front?

Ms Stratford: I'm sorry, on which point?

Mr Bryant: With respect to an estate when it comes in and documenting a file and dealing with a file.

The Chair: Is there a procedural guideline?

Ms Stratford: There would be procedures, yes. There are various procedural manuals.

Mr Bryant: Would you be willing to table those manuals?

Ms Karakatsanis: I understand there are volumes of manuals and they are under review. Some of them have been reviewed more recently than others. We would have to take a look at them and ensure there was no reason why they shouldn't be tabled.

Mr Bryant: OK, thank you.

The Chair: For the record, then, you would be prepared to table them? Just so that we're clear, either one way or the other.

Ms Karakatsanis: I think that we would like to take another look at them before we make the final decision.

The Chair: You'll let us know, then?

Ms Karakatsanis: We'll let you know.

Mr Bryant: Also, there is some issue as to the diverging opinion provided by your ministry with respect to what the industry standard is in terms of errors: 5% and then apparently now there's been a change of heart. I take it that the auditor wouldn't cite an industry standard unless there was one. There is an industry standard.

Mr Peters: We are attributing the standard actually to the ministry.

Mr Bryant: Would you table those diverging opinions so that the committee can say, "We think that in fact the 5% standard is right or we think that in fact the 20% standard is right"?

Ms Karakatsanis: My understanding is that the original information came from ministry staff who felt that was an industry standard. We don't have the documentation to substantiate that. I understand that the Provincial Auditor didn't do any independent review of what that statement was. Recently we did informally contact a trust company to determine what the standard was and how they calculated it. We were advised at that time that they don't have it. I've told you all we know.

Mr Bryant: You're saying that there is no documentation either backing up or refuting a 5% industry standard?

Ms Karakatsanis: There was some documentation initially stating that, I believe.

Mr Bryant: Would you be willing to table that?

Ms Karakatsanis: But I don't think there was anything specific backing it up. Just a second, I'll check. There's nothing specific that the guardian and trustee has seen that backs that up.

Mr Bryant: You don't know?

Ms Karakatsanis: I don't know.

Mr Bryant: If there are such documents, perhaps you would be willing to consider them and table them to the committee?

Ms Karakatsanis: As I say, I know it was reflected in the documents, but the backup, any basis for that, we don't believe there are any documents.

1400

Mr Bryant: OK. There are no documents.

My last question is to the auditor. Are you concerned that there is an obligation on the trustee to inform the beneficiary of the beneficiary's interests, and it is not being fulfilled by the government? Is that a concern of yours?

Mr Peters: I have to be careful how I answer your question, because we're not lawyers.

Mr Bryant: Right.

Mr Peters: We accepted the assertion that there was a legal opinion, and we wrote in our report that the public guardian and trustee said they had a legal opinion to that effect.

Mr Bryant: Did you see it?

Mr Peters: No, we did not see it. I am concerned about that, quite frankly. I think we should see it. If we don't see it, the committee should see it, and if the committee can't see it, I think some steps have to be taken to

ensure that the legal position is correct that is taken in this particular regard. That was your question. I have another comment on the 5%.

Mr Bryant: With respect to the 5%?

Mr Peters: The 5% comes from documentation of the public guardian. I think if you look at your records, you will find a document.

Mr Bryant: We'd better see those documents, then.

Ms Karakatsanis: I know the assertion was made in an internal document. I don't believe there was any documentation to support that assertion.

Mr Peters: No, not an external—the public guardian and trustee had no documentation from a trust company to support the facts for this.

Ms Karakatsanis: No documentation to support that assertion. I'm not aware of any documentation that does that.

Mr Bryant: I understand. But that document in and of itself, have we seen that or have you seen that?

Mr Peters: We have seen the document, and the document was actually prepared in order to make a submission for funding for the public guardian and trustee.

Mr Bryant: So it contains some findings and analysis.

Mr Peters: Not findings and analysis. It contains the assertion of standards that they would like to achieve and that they have resource problems achieving.

Mr Bryant: Do you think it would be helpful for this committee to see that document?

Mr Peters: I think it would have to be made available to you by the ministry, not by us.

Mr Bryant: OK. Could we have that document?

Ms Karakatsanis: I'll have to review the document and make that determination.

Mr Bryant: OK. Thank you very much.

Ms Martel: Just to be clear about what we're talking about: Is this the document that was prepared for estimates purposes?

Ms Karakatsanis: I believe the document was prepared for proceeding to obtain further resources internally.

Ms Martel: So, for estimates, a submission to Management Board?

Ms Karakatsanis: I believe so.

Ms Martel: OK. I'm a little confused about why the office would give information to the auditor with respect to a 5% standard when it appears there's nothing to back that up. Is that a silly question to ask?

Ms Karakatsanis: I'm surprised by that too.

Ms Martel: OK. Let me go back to the issue about staffing and training, if I might. In the audit that was done in 1996, which you've identified was an internal audit, was the issue of staffing raised in that audit?

Ms Karakatsanis: The internal audit function began in 1996. That was an audit of the files, the guardianship files. Those files, and they are files that go back some 11 years on average, were reviewed and each and every transaction in those files was examined by the internal audit. As a result of that, the internal audit identified some areas where either further actions were required or

where errors had been made. It was as a result of that information that staff were to take further steps.

Ms Martel: Deputy, just so I'm clear: There was no specific reference in that audit with respect to additional human resources being required to tackle any of the issues you identified in the review itself?

Ms Karakatsanis: That internal audit was focused on auditing the files, and the work that was done on those files and the various transactions was the focus of the audit. It didn't deal with resources at the time.

Ms Martel: When the auditor reported, the report clearly showed that the ministry itself had identified a need for additional human resources. Can I ask when that need was identified?

Ms Karakatsanis: I'm not aware of when precisely that need was identified. It was identified, and we went through the normal course, and ultimately government made a decision to provide more resources. We have been recruiting in the last year to fill those.

Ms Martel: I suppose it's the year to recruit that I'm wondering about. The audit was completed by the auditor in about February 1999, and the ministry responses may have come in before or after that. But certainly the ministry response is that staffing requirements were identified even before this audit was complete, so I'm having to assume that was sometime in 1998.

If I heard you correctly, you said you have just hired 43 more staff. I'm not sure if that was just early in the year 2000 or not, but it seems that there's about a year-and-a-half, two-year delay from the point of time where you made it clear in this report that additional resources were going to be hired and when it seems they are actually being hired. I'd like to get some more specific responses about when you started to identify these needs and why it has seemed to take at least a year and a half to fill some of these positions.

Ms Karakatsanis: The additional resources were made available for the fiscal year 1999-2000, so early in 1999 there was a decision. Those monies were added to the budget. I know there has been a lengthy and thorough recruitment process as well as a reorganization of the office, the management structure and the caseload.

Ms Martel: Deputy, on the additional resources, can you give me that number again?

Ms Karakatsanis: There were 43 additional staff who were hired.

Ms Martel: But the additional amount of money that you would have received in order to do that hiring?

Ms Karakatsanis: Yes; \$3.4 million.

Ms Martel: Was that request part of a submission through the estimates process to Management Board to get additional staff? Is that how that came about?

Ms Karakatsanis: I'm not sure what the exact form was, but it was certainly through the process of determining what the budget would be for 1999-2000 that that decision was made.

Ms Martel: So even though in 1998 you clearly would have identified a need, because you've said so,

there just weren't the financial resources flowing from any particular source to allow those people to be hired.

Ms Karakatsanis: I didn't say that we identified a need at any particular time. I said that we went through the process of doing so and we were given more resources, and that we have moved to hire and we have hired, and that effective April 1 the new management structure will be in place.

Ms Martel: Your reply to the auditor's report said that the staffing needs had been identified pre-audit, so that would have put us at some time into 1998—maybe the end, maybe the summer. I'm not sure which.

You have recruited now 43 more staff. Is that the total combination between your supervisory staff and your front-line staff, or are those all front-line workers?

Ms Karakatsanis: It's 43 more staff in total. The public guardian and trustee can give you the breakdown.

Ms Stratford: There are actually others we have recruited, because in addition to the new positions there were some positions that we were reallocating in the office to redirect resources to the areas of highest need. So there were some vacancies that were moved around to make sure that we were putting people where they could do the best work.

To the exact figure: We had 43 new positions that were created with additional funding, which was received in the beginning of the 1999 fiscal year. We had 39 positions that we've recruited for as a result of these reallocations of staff and reorganization of staff. So there were actually 39 vacancies that we had available to us already that we had not filled. So we undertook a recruitment of 82 staff. Yes, some of those were supervisors. That includes the supervisory staff as well as the front-line staff.

Ms Martel: If I'm correct, you've said to us that the front-line investigative staff—to establish guardianship you've hired three more there? Do you have the breakdown by—

Ms Stratford: We have the current group of nine investigators, including two that do screening. We're adding four new investigators, one of whom will be the team leader.

1410

Ms Martel: And your front-line guardianship workers?

Ms Stratford: We are adding 24 new client representatives to the current total of 43, to give us 67. We're adding 12 client representative assistants to the current total of 36, which will give us 48. In addition, we're adding seven team leaders in the guardianship area.

Ms Martel: And the seven team leaders are management staff.

Ms Stratford: Supervisors.

Ms Martel: OK. The report said your internal audit capacity doubled, but we didn't know how many you started with. So what's your total there?

Ms Stratford: We're adding one additional internal auditor, we're adding a manager of the quality assurance area, and we're adding, I think it is, two assistants.

Ms Martel: So in your quality assurance unit, what would be your total staffing capacity? And that's a new unit that has just been established in the last number of months?

Ms Stratford: Six.

Ms Martel: A total of six in that office. Can you just describe for the committee again your training initiatives? I tried to listen carefully. I heard both a four-week reference and a 12-week reference. If you can just provide to us again some information about what that training process is for the new people you've brought on, especially for your new employees who are coming on front-line, because I want to distinguish between front-line and supervisory to determine if there are different training patterns or techniques.

Ms Stratford: We began the training for our new guardianship front-line staff on November 29, 1999, and the training program runs right through until April 1 of this year.

Supervisors are receiving that training because team leaders also carry a caseload, but they will in addition be receiving training specific for their needs—team leadership skills, that kind of thing. There is a program planned for them as well, and I believe they've already had one instalment of that.

A component of the training that started on November 29 is a four-week, formal classroom training session. That has been completed. We've brought in all of the new front-line staff in the guardianship area, and we've provided them with training through workshops and direct presentations from existing staff, existing managers. Outside experts were brought in to provide further details in some of the more complicated areas. Various methods of presenting the material were employed, so that all of the various learning methods that adults really benefit from were used.

That was the four-week session that I was talking about. But ongoing from that is a range of things. There are special workshops dedicated to particular functions of the job. There will be job shadowing so that newer staff can work with more experienced staff and gain experience just by watching them, seeing how it's done in real life, and one-on-one training with experienced staff in particular areas.

We've focused on, as I said, the full range of activities that would exist in a typical guardianship case. We have focused particularly on areas that were raised through our own internal audits and by the Provincial Auditor as areas of concern, to make sure that the new staff as well as the existing staff are very clear about what those issues are and what they need to do to address them. We have more staff training planned for March and April, which will also focus on those areas, and we're also training the new investigators and the estates officers as well.

Ms Martel: Are all your positions now filled, of the 82 that you were recruiting for?

Ms Stratford: By and large. There are always one or two that may be issues for us, but the recruitment drive, if you will, has occurred and the people have been hired.

Our target has been to have everyone trained and ready to take on the work by the end of March. My information is that we are on track with that. There may be one or two—some of the people who were successful in the competitions were from the organization internally. They were at a more junior level and they were able to secure a position of a more senior type, so then there would be some domino effect as you go to fill those positions.

Ms Martel: The \$3.4 million that you received beginning in the fiscal year 1999 is in addition to the base budget?

Ms Stratford: Yes.

Ms Martel: And what is the final base budget now? Sorry; you may have mentioned that earlier. I apologize if I missed that.

Ms Stratford: It's \$23.9 million.

Ms Martel: I'd like to ask just quickly about the fee structure. As I understand it, fees are made payable by the client for the services that the office renders, and fees are charged as well for the administration of the estates. Are the fees in both of those cases applied as a percentage of the assets that you are managing?

Ms Stratford: There are two kinds of fees. There is a transaction fee which is charged on the transactions, the incomes and disbursements, and there is an annual care and management fee that is payable as a percentage of the annual average value of the assets that are held.

Ms Martel: When you talk about the transaction fee, how would that be applied? Are you talking about an individual transaction in a bank account?

Ms Stratford: Payments that are received in to the credit of a client—

Ms Martel: That would be a pension?

Ms Stratford: That's right—would be subject to a transaction fee. Likewise, payments out are subject to a fee.

Ms Martel: Do you know what is your total, perhaps for 1999-2000? What would your total have been that would have been collected in fees?

Ms Stratford: In 1998-99, we collected altogether about \$12 million in fees.

The Chair: Sorry, if I could just ask one question. What would the average transaction fee be? What are we talking about in dollars and cents?

Ms Stratford: The current amount that we charge on transactions is 2.5%.

The Chair: That's on both money coming in and money going out?

Ms Stratford: That's right.

The Chair: And then on the total estate it would be what, as a management fee?

Ms Stratford: It's 0.4 of 1%.

The Chair: Thank you.

Ms Martel: Do you have the figures for 1999-2000?

Ms Stratford: No, I'm sorry.

Ms Martel: Do those fees go directly to the consolidated revenue fund, or does the office retain any portion of that?

Ms Stratford: No, we remit the fees.

Ms Martel: With respect to the 888 files that you reviewed, you talked about the 22% error rate, and I guess we can go back and forth about whether or not those were significant errors. You've talked about all the changes that you've made in staffing and procedures etc to deal with that. It would be an annual review that you will do then to look at some of those files to try and determine if that error threshold is being reduced? Is that what your plan is?

Ms Stratford: On all new files we will be doing a review at the 90-day point—we're already undertaking reviews like that; we're planning to expand the scope of the review—to go through a checklist to make sure that we have attended to the proper details that are required in that file.

Ms Martel: If I was clear before, all of the files at least have been reviewed at this point, both new and outstanding files, to go through all the errors, to make a note of errors?

Ms Stratford: No, not every single file in the office. The way we're approaching this is to first review the files that we are reallocating from the more senior client representatives, the less complicated files. You'll recall we described how we were reallocating caseloads so that the senior client representatives would have the more complicated cases but would have fewer of them. They will be handing over to the more junior client representatives the files that are less complicated.

As they hand them over in batches of about 25, that's part of the training program for the junior client representatives. They will be required to review each of those files, checklist in hand, and look for those kinds of issues that have been identified as things that need to be watched and need to be ascertained as having been done in the file.

The files that are being kept behind by the senior client representatives, the more complex ones, will also be reviewed. We are looking at a schedule of review. We haven't quite finalized a target date for completing the review but we're hoping to undertake that review at the rate of about one or two a week by the various senior client reps who are holding those files.

Ms Martel: Can you tell us how many cases would be in the second category for review, the cases that are being held by the senior management?

Ms Stratford: I'd have to do the math on that; I'm sorry. I don't know for sure. But we will, of course, be continuing our internal audit process which, as we said, has a target of 600 internal audits every year. We've exceeded that target this year and we've done over 800. But we will be able to step up that work with additional audit strength and those audits will certainly continue whether or not these files have been reviewed in the way I've just described.

The Chair: Mr Peters had a comment before I go to the government side.

Mr Peters: I just have a quick question. There was reference made frequently that we used "extreme cases." I just wanted to make sure I understand the definition of

“extreme” in this case, because the cases we found, many of which were brought to our attention, were either cases where we found that action was not timely or where we found that client assets had either been lost or put at risk. Would that be your definition of “extreme” as well?

Ms Karakatsanis: Those cases are obviously unacceptable. They were extreme cases. It’s just that, based on the internal audits that we have done, we are satisfied that those are not typical cases, that they are extreme cases. Yes, we accept that the cases that you’ve highlighted were totally unacceptable.

Mr Peters: I agree with you on that, but I don’t quite agree that they came out of our regular—these were cases we found in the audit, so I would not consider them unusual.

Ms Karakatsanis: Some of them were, and some of them came from the internal audit as well.

Mr Peters: That’s true.

Mr Martiniuk: Assuming that we have concluded all questions, I move that we adjourn to in camera hearings, Chair.

The Chair: There is a motion to adjourn at this point in time. Before we adjourn, and it has nothing to do with the motion as such, I just want to make the committee aware of the fact that a notice of motion has been filed by Mr Gravelle, which I understand is the tradition of this committee, to deal with the matter that we’re dealing with tomorrow, the Ministry of Transportation matter. I understand that it’s a tradition to file a notice of motion the day before with this committee. He has done that. So just for the record, there it is.

With that, I’ll call the question. All those in favour of adjournment? Opposed? We’re adjourned.

Thank you very much for attending today and for attending last week as well with the members of your staff. We appreciate it.

The committee continued in closed session at 1423.

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Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 24 February 2000

Journal des débats (Hansard)

Jeudi 24 février 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
Ministry of Transportation

Comité permanent des comptes publics

Rapport annuel 1999
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Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 24 February 2000

Jeudi 24 février 2000

The committee met at 1038 in room 151, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF TRANSPORTATION

Consideration of section 3.14, provincial highway maintenance.

The Chair (Mr John Gerretsen): I'd like to call to order the meeting of the standing committee on public accounts to deal with section 3.14 of the 1999 annual report of the Provincial Auditor, dealing with provincial highway maintenance.

Good morning, and welcome to our hearings. We'll start the hearing off with any presentation you may have for 15 to 20 minutes, and then we'll throw it open to questions from the membership here. Good morning, Deputy.

Ms Jan Rush: Thank you, Mr Chairman and members of the committee. In my remarks this morning I'd like to address three topics: the history of outsourcing of highway maintenance, the ministry's winter maintenance program, and then some more specific details of the Provincial Auditor's 1999 report.

To begin, I would like to highlight for the committee—

The Chair: I'm sorry. Could you please identify yourselves?

Ms Rush: My name is Jan Rush. I'm the Deputy Minister of Transportation. Carl Hennum is the assistant deputy minister of operations. Malcolm MacLean is the director of construction and operations in the ministry.

Ms Rush: To begin, I'd like to highlight for the committee some elements of the ministry's approach to outsourcing maintenance to private contractors. Our maintenance standards are consistent with the best practices in other jurisdictions in Canada and elsewhere, and in accordance with our first priority, highway safety, safety standards have not and will not be reduced. Likewise, the standards that private contractors must achieve reflect long-standing ministry standards governing the maintenance of Ontario's highways.

While the ministry had traditionally outsourced considerable portions of its highway maintenance program, in 1995 we began to review our processes and look at some new and innovative ways to be more efficient and

effective in our outsourcing. The ministry's team proceeded carefully and did considerable research both in Canada and elsewhere in the world. Based on this practical experience from other jurisdictions, we set out to develop an approach that would work best for Ontario. What we have adopted is a blended approach, using a combination of area maintenance contracts and managed outsource contracts, which we believe is the best mix for our needs. Today, approximately 85% of the province's highway network is maintained by the private sector. By the end of this year, we expect that practically the entire network will be maintained this way.

Let me briefly describe the two types of contracts we use. Managed outsource involves ministry staff managing and directing highway maintenance operations with contractors supplying equipment and staff to perform specific functions. Ministry staff patrol highways to determine when maintenance is required and as a follow-up to ensure that work has been performed to standards. Under area maintenance contracts, contractors assume all responsibility for maintenance within a specific geographic area. The ministry monitors their work to ensure that standards are met.

We have found through our experience that the blended approach offers several demonstrated advantages over a one-concept approach, including the ability to ensure greater competition, match contracts to local market conditions, allow greater industry participation, permit future flexibility in modifying contract areas and types, lower the overall risk and achieve greater efficiencies. The blended approach assures long-term sustainability of maintenance outsourcing as well as initial cost savings by ensuring a competitive supplier market. It also provides for future flexibility to adapt to changing market conditions.

I would now like to spend a few moments on a key government activity that affects all citizens in Ontario, and that is winter maintenance. Many of the key elements I have described in our approach to outsource pertain to winter maintenance. Let me highlight the key provisions we have in place to ensure winter maintenance standards are met.

(1) We have clear and concise contracts that spell out the standards to which contracts must adhere.

(2) We have a comprehensive verification monitoring program in place.

(3) We have strict enforcement. Let me briefly elaborate on this key component. Failure to meet standards

can result in severe financial penalties and can result in the termination of contracts and the suspension of bidding privileges for future contracts. There is no room for cutting corners. I'm pleased to say that there have only been a few instances where the ministry has had to impose penalties on contractors not performing to standard.

(4) Also, we have been continuously working with contractors to develop new and improved ways to meet the standards and to ensure that best practices are applied throughout the province.

We are all familiar with the exceptional and adverse winter weather. While our winter maintenance is consistent with the best practices and standards anywhere, we've continued to remind the travelling public to adjust their driving to prevailing road conditions.

I would now like to move to the third topic, some more specific details in the 1999 Provincial Auditor's report. In his 1999 report, the Provincial Auditor provides a useful and detailed analysis of how the Ministry of Transportation's highway maintenance program was performing and whether there were adequate procedures in place to measure and report on program effectiveness and to ensure that outsourcing was being managed with due regard for economy and efficiency and in compliance with legislation, policy, contract terms and conditions.

We acknowledge and appreciate the auditor's thorough review of our outsourcing approach, his recognition of where the ministry had made progress in implementing the strategy and his insights in identifying where we can continue to improve. We are mindful of this valuable input as we continue to improve our processes and procedures and revise existing ones.

As always, our prime objective is to ensure that highways are safe and that the public interest is maintained, regardless of whether ministry staff or private sector contractors provide the service.

I would now like to address some of the specific issues raised by the Provincial Auditor and discuss how the ministry has responded or plans to respond to the many thoughtful recommendations in the report.

While the ministry, as I said earlier, has an established tradition of dealing with outside maintenance contractors, the development of our current approach to outsourcing dates back to the mid-1990s. The Provincial Auditor looked at several key aspects of our highway maintenance program and provided us with a number of useful recommendations on how we might adjust to improve our procedures. While the audit report covered a range of topics, from measuring and reporting on program effectiveness to compliance with policies, procedures and contract terms, I would like to focus on three broadly representative areas to illustrate how the ministry has specifically responded to the report's findings and recommendations.

They are:

(1) determining which outsourcing method provides the greatest actual saving and then revising our strategy accordingly;

(2) reviewing the current tendering practices to ensure excessive costs are not incurred;

(3) evaluating all contractors upon completion of existing contracts and before new ones are awarded.

With respect to realizing the greatest actual saving, the ministry agrees with the auditor's recommendation and has in fact evaluated its experience continuously as we have proceeded with highway maintenance outsourcing. As I highlighted earlier, we have adopted a blended outsourcing approach as the best alternative, ensuring a competitive marketplace with broad participation from industry. Furthermore, as I said at the outset, safety continues to be our number one priority. We will build on our experience to ensure that standards continue to be met and enforced.

Regarding our tendering practices and mitigating against cost increases, the ministry agrees with the Provincial Auditor that any outsourcing plan must ensure that there is protection from long-term cost increases. The ministry's blended approach to outsourcing has been built on the diverse experience of other jurisdictions, optimizing its tendering approach to provide maximum flexibility and ensuring that the most cost-effective outsourcing alternatives are and continue to be available to suit local geographic and market conditions.

The use of both area maintenance contracts and managed outsourcing contracts is designed specifically to ensure the ministry is able to manage the level of competition within the industry and retain the cost advantages of outsourcing.

With respect to evaluating contractors, the ministry is creating a maintenance contractor's performance appraisal system for all maintenance contracts this summer. This new system will be part of the pre-qualification system for major maintenance work, similar to construction pre-qualification. Under a maintenance pre-qualification system, poor performance could result in a reduced rating and a reduced ability to bid on ministry maintenance contracts.

Ministry policy requires that maintenance contractors receive performance appraisals. Those who perform unsatisfactorily may be prohibited from bidding on any ministry contracts for a period of time. The ministry reiterated this requirement in November 1999. While our staff across the province share information on maintenance contractors who have been prohibited from bidding, we plan to create a provincial performance database to facilitate the retention and circulation of information.

Mr Chairman, I would like to sum up my remarks to the committee this morning as follows: We believe we have approached the outsourcing of highway maintenance in a thoughtful and responsible manner. We conducted the appropriate research, we sought advice, used independent consultants to verify and validate our approach, adjusted our direction on our experience and that of other jurisdictions. Moreover, the ministry exercises a high level of due diligence in developing its outsourcing contracts and assessing both their cost-effectiveness and level of projected savings.

However, we also recognize that we must continue to strive for efficiencies and we must give our full attention to the best possible service and safety for road users. We continue to learn from our experiences and will adjust the outsourcing approach to maximize the benefits while protecting the public interest. Most importantly, highway safety is our number one priority. Maintenance standards have not and will not be reduced.

To conclude, we found the Provincial Auditor's recommendations thorough and helpful. We are in the process of following through with the recommendations contained in the 1999 report and we trust we have addressed his concerns. We continue to be vigilant in the manner of outsourcing our programs to ensure that the public interest is maintained and that the safety of those using our highways is given top priority. Thank you.

The Chair: Thank you very much for your presentation. We have approximately 22 minutes per caucus.

Mr Michael Gravelle (Thunder Bay-Superior North): I moved a notice of motion yesterday related to a motion I wanted to put before the committee. Could I read that motion now?

1050

The Chair: You can read it, but then we'll start the questioning with Ms Martel.

Mr Gravelle: I will read the motion now:

"Whereas the auditor's 1999 report indicates that the Ministry of Transportation's highway maintenance outsourcing has failed to ensure due regard for economy and efficiency, compliance with legislation, policies and contract terms and conditions; and

"Whereas the Ministry of Transportation has not provided an impact analysis of their pilot project on privatization in the Chatham area showing savings or improved safety; and

"Whereas the winter of 1999-2000 in Ontario has seen a sharp increase in the number of fatalities on our provincial highways which may or may not have been influenced by the way highway maintenance services are being delivered; and

"Whereas the Ministry of Transportation is moving forward with a goal of full privatization of maintenance service contracts by June 2000; and

"Whereas mayors and reeves, city councillors, chambers of commerce, the Ontario Public Service Employees Union, truck drivers, bus drivers and members of the public have expressed strong concerns that highways in Ontario are no longer being maintained to the highest possible safety standard;

"Therefore, I move that the standing committee on public accounts direct the Provincial Auditor to undertake a full review of highway maintenance contracts in the province of Ontario; that the review include an examination of all costs and expenditures; an examination of how quality controls and inspection requirements are being met; an examination to determine whether maintenance standards are being met; as well as an examination of whether public safety may have been compromised, particularly over the past four months, as a

result of the ministry's management of highway maintenance; and that the Provincial Auditor report back to the standing committee on public accounts as soon possible with his findings."

I hope I get the full support of the committee on this.

The Chair: We had a notice of that motion yesterday. Just for the record, the "whereas" clauses do not form part of the official motion. I'm so informed by the clerk that that's not part of the motion, so we only deal with what's after the "whereas" clauses. We'll deal with that after we've had the hearings this morning or this afternoon. Then we'll get back to the motion.

We've got 22 minutes left—

Ms Marilyn Mushinski (Scarborough Centre): We're not going to deal with the "whereases" after?

The Chair: That's right. We're not. It's only the content of the motion itself that we'll be dealing with.

Ms Mushinski: I just needed clarification.

The Chair: We've got 21 minutes for each caucus, starting with Ms Martel.

Ms Shelley Martel (Nickel Belt): Before I begin my questions, I want to indicate that the New Democratic Party will be supporting the motion put forward by Mr Gravelle. This is an extremely important issue, especially in northern Ontario, where we've seen at least 15 deaths this winter, some of them in my own riding. So we'd be very interested in having the auditor do this very important work.

I'd like to welcome the delegation from the Ministry of Transportation. I want to begin my questioning this way. In the auditor's report, which was released in November, the auditor says, "The criteria used to assess the program were discussed with and agreed to by ministry management and relate to systems, policies and procedures that the ministry should have in place." I want to begin, Deputy, by asking you, is that a correct statement? Do you agree with that statement?

Ms Rush: I'm sorry, the statement was?

Ms Martel: That "the criteria used to assess the program"—this is the highway maintenance program—"were discussed with and agreed to by ministry management and relate to systems, policies and procedures that the ministry" should have had in place.

Ms Rush: In general terms, yes.

Ms Martel: Deputy, did you or your ministry have any concerns with respect to the manner in which the auditor's staff handled this audit?

Ms Rush: No.

Ms Martel: Did you have any concerns about any of the techniques that were used in handling the audit?

Ms Rush: No.

Ms Martel: Did you have any questions or concerns with respect to the interviews that the auditor's staff carried out with MTO staff?

Ms Rush: I'm not aware of them.

Ms Martel: Finally, did you have any concerns at all with respect to files that were reviewed, policies that were reviewed, data reviewed or any of the systems that

were reviewed by the auditor during the course of the audit?

Ms Rush: No.

Ms Martel: In light of that, Deputy, if I might, in questioning in the House on the day that this audit was released, which was November 16, our leader, Howard Hampton, asked your minister, Mr Turnbull, about the auditor's comments, particularly with respect to the potential savings from outsourcing. He said what the auditor had said, which was that despite these one-time savings, "Outsourcing may ultimately result in a significant increase in the cost of highway maintenance for these contracts."

Your minister said in reply: "The Provincial Auditor ignores the cost of capital equipment or maintenance, and these have to be considered. If you do not consider them, you're not comparing apples with apples."

I'd like to ask you, Deputy, is the minister's statement a reflection of what the ministry thinks about this audit, or were those his own concerns?

Ms Rush: In discussions with the Provincial Auditor coming to the methodology that was used in accounting, it was clear that we had taken a different approach. The ministry believed, in its research and in its due diligence, searching out both some private sector advice and using some public sector documentation, that we should be providing cost-of-capital financing into the cost business case that we were looking at for each particular contract. The Provincial Auditor has indicated that he disagrees with that particular methodology for cost accounting. The ministry, as I said, believed it was using the correct methodology and believed it had done due diligence in picking the methodology it used.

Ms Martel: Does the ministry still hold that view?

Ms Rush: The ministry still believes it is a very valid and appropriate way of putting cost together. It is very difficult for us to debate accounting methodologies. I must say that what we've been able to do since that time—because we had a number of discussions with the Provincial Auditor about this. I can tell you that on the research we did, our understanding of the appropriate methodology, we chose the methodology that we thought was appropriate and that we thought was both verified by some private sector auditor firms and by the overall guidance from the federal government.

I know the Provincial Auditor takes a different viewpoint, but there are two things I'd like to say about that. One is that we know that the Ministry of Finance, one of our central agencies, now is working on a draft policy, and we look very much forward to that coming out, which will guide all ministries in how we do this kind of methodology. So we look forward to the direction they will provide us in the future.

Ms Martel: Deputy, what research did you rely on?

Ms Rush: We did general research to begin. We then spoke with two audit firms and asked their opinion. We specifically asked their opinion, was this a methodology that was appropriate to what we were doing? PricewaterhouseCoopers said, "We feel it is reasonable to include a

cost-of-capital cost element in an alternative service delivery business case."

Ernst and Young told us, "We believe the MTO approach of recognizing an opportunity-cost-of-capital component in the process of costing its use of equipment in area maintenance activity is an appropriate procedure."

And the Canadian Institute of Chartered Accountants, on outsourcing of government services: "Calculating the full cost of a service should include cost of capital associated with the net assets used by that activity."

I quote those three, but it was that research and those kinds of opinions as indicated that verified that we indeed were using a valid cost accounting approach.

Ms Martel: Did any of those three provide any disclaimers with respect to their comments?

Ms Rush: They were asked for an opinion and their disclaimer was that they were giving opinion. They did not come in and audit our findings.

Ms Martel: OK. I'd like to ask the auditor some questions in this regard. Mr Peters, you saw a copy of what the minister said in the House. Let me just ask you some general questions. You wouldn't have done this audit yourself, but I'm assuming you had capable and competent staff who could do this on your behalf?

Mr Peters: Yes, I did.

Ms Martel: The experience of that staff in terms of doing value-for-money audits, in terms of following established accounting principles—I expect that experience would be a number of years among the members of the audit team?

Mr Peters: Absolutely.

Ms Martel: Can you explain to this committee why it was that your audit staff made the comments they did with respect to how the ministry was approaching its work?

Mr Peters: We did a careful audit of the numbers and essentially there was massive agreement on the cost elements that were in there, as to the nature of the elements. The amounts is where we differed in a number of instances from the ministry, and those were carefully discussed with ministry officials. Essentially, the response of the ministry afterwards was that they would reassess how they were putting these together and they accepted our concerns. The only exception was with regard to the way the financing costs on capital were calculated.

I don't know whether you want to get into that as a question, but the deputy has cited the two accounting firms they contacted and I'm prepared to comment on that. Do you want me to?

1100

Ms Martel: First of all, I'd like you just to outline to the committee why you had concerns about the financing costs. What are the specific concerns and why? Secondly, I would like some further explanation with respect to the opinions that were provided by the firms with respect to the methodology that was used by the ministry.

Mr Peters: On the financing costs, we took the approach that the financing costs are normally based on

cash flows. We found that the assumption that was made by the ministry was that if highway maintenance were to be done by the ministry over the term of the contract under discussion, which was three and a half years, the ministry had, firstly, taken in all the proceeds on disposal or leasing the facilities and the equipment to the contractors who were taking over to determine whether there would be a benefit from the outsourcing, but at the same time had made the assumption that virtually on day one of the contract term the ministry itself would have to spend \$13.8 million on equipment, and made then the further assumption that because they didn't have to do that if they outsourced, they would have 5.3% interest on that \$13.8 million as a saving over the term of the contract if they did it in-house. That's what we disputed. We did not see the necessity for this, because we found and agreed with the ministry on the inclusion of about \$4 million worth of equipment costs, renewing the existing equipment over the term of the contract.

Ms Martel: That's why you said in your report the ministry either double-counted or overestimated its own cost of equipment maintenance?

Mr Peters: That was one factor. There were other factors where we disagreed on the amounts. For example, equipment maintenance: Their own records indicated that a six-ton truck, say, was at about a \$6,400 maintenance cost a year, and yet the proposal included that if they did it in-house it would cost \$10,000. When we questioned it, they said we used the wrong year and they came up with a new number that was \$6,900, but still not the \$10,000. So those were the things that we adjusted for in another context.

As to the financing costs, we believe the financing costs should have been applied to the total cash flow difference between the two contracts, which was about \$300,000, not to \$13.8 million.

Ms Martel: And the two firms that the ministry used to look at their methodology in your opinion agreed with the ministry's methodology, or expressed concerns about what the ministry had done?

Mr Peters: Well, let me answer it this way. If my office had been asked instead of these two firms, we probably would have given the same advice. We would have said, "These are the rules under which you can allocate capital." But we would have also said what the two firms said, and that was—I quote PricewaterhouseCoopers, since the deputy has mentioned the names—"We have not audited the particular calculation as such, and offer no opinion as to the numerical accuracy of the calculation used." So our difference with the ministry is really as to the numbers that were being used.

Ms Martel: Just so I'm clear, what the firms provided was a general statement about how things should be applied, but they would not have had the opportunity or didn't seem to have the opportunity to look at the actual numbers.

Mr Peters: That's right. How they "could" be applied is actually the word, because it's all guidance. There are no prescriptive rules; they are just saying, "If you do it,

you can do this or you can do that." So they outlined the general framework within which that can be done.

Ernst and Young opined that "without purporting to address the question of how the opportunity-cost-of-capital rate has been quantified in the issue, which we have not been asked to consider, we believe the MTO approach," etc, is an appropriate procedure. In other words, what they said was you can apply the procedure. Where we are differing is that we said it could have been applied to the \$300,000 difference between the overall cash flow, as opposed to the \$13.8 million to which it was applied.

Ms Martel: And one final question with respect to the \$13.8-million figure which is in dispute in your report. Can you describe for the committee where that might have come from or why you have concerns with a \$13.8-million figure? I'll just read the line: "Nevertheless the ministry included financing cost of \$2.3 million in its estimates, which it based on a cash flow reduction of \$13.8 million from not buying the equipment."

Mr Peters: I'll ask Mr Fitzmaurice to make any comments on that.

Mr Gerard Fitzmaurice: Yes, the \$13.8 million is the replacement cost of the vehicles that the ministry owns, so they took each vehicle and calculated what it would cost to buy it brand new. Then they calculated the financing costs based on that amount, \$13.8 million.

Ms Martel: But it would be a bit of a false number, wouldn't it? Because the ministry would not have to purchase all of this equipment overnight, in one fell swoop, in one fiscal year even.

Mr Fitzmaurice: That's true. The actual cost of the vehicles, or the value of the vehicles, was in the neighbourhood of \$4 million.

Ms Martel: The value of the vehicles was in the order of \$4 million, and the ministry estimated it would cost \$13 million to replace them if they did it all at once?

Mr Fitzmaurice: Yes.

Ms Martel: But there was no reason to assume the ministry would have to do that all at once.

Mr Fitzmaurice: They wouldn't, no.

Ms Martel: So there's some reason to suspect why the figure went into the ministry's evaluation of its potential cost.

Mr Peters: That's the concern, because it was triple. It appeared three times. In other words, it appeared once as the basis for the financing costs of \$13.8 million. It appeared in the evaluation of the ministry doing it in-house in terms of a \$4-million depreciation charge over the term of the life of that equipment—in other words, depreciation equals replacement over the life of \$4 million. And it appeared for a third time in terms of the proceeds of having disposed of all the equipment, or leased it, if they gave it to the private sector contractor. So we ended up taking it into account three times and, with the two, the financing costs providing savings, and then of course the proceeds on disposal providing savings.

Ms Martel: Thank you.

Deputy, you've heard some of the comments by the auditor and I'm wondering if you can explain to the committee then, first of all with respect to the auditor's concerns about double-counting or overestimating, what your reply would be to the fact that both revenue was included and then potential costs were included as well.

Ms Rush: As I understand it, the auditor removed the entire amount related to financing in his calculations, but didn't offer other calculations in that regard.

Again, we believed that we were interpreting the methodology used to bring that present value of the cost of capital financing back into these contracts that were proceeding for future years. We believed that this was an appropriate methodology. We believed that the acquisition of capital by the contractors was a separate matter. As I say, we have a different opinion as to the appropriateness.

I think it's very important to put this into context in terms of the savings that we have. When the Provincial Auditor was doing his work we were at the very beginning of the process of outsourcing these contracts. I think as you can see in the audit report, we have a difference from the first four contracts, using the methodology that we used and using the methodology that he used.

We have now proceeded to almost fully outsourcing 85% of the system. The value of what we're talking about in terms of calculations, as we best understand the Provincial Auditor's calculations, would have made a 1.3% difference in terms of the variance.

We have now had much more experience. We have tendered and awarded many more contracts. We have achieved the 5% savings that we indicated in our initiatives we would do, irrespective of which methodology is used. The methodology that we used shows a higher number. The methodology, as we understand, that the Provincial Auditor would use shows a lower number, obviously, because he does have a different opinion.

But we calculated, as best we can understand the calculations the Provincial Auditor would have put in, and believe, irrespective of the costing methodology used, that we are above the 5%, and the question is, by how much?

Ms Martel: Just before I continue with the savings issue, did the two companies that you hired look at MTO's actual figures, the same figures that the auditor looked at in his audit?

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Ms Rush: No, they didn't. We were asking their opinion on our methodology.

Ms Martel: They provided a general response with respect to how it might be applied?

Ms Rush: Yes.

Ms Martel: But they did not have a chance to look at MTO's numbers to see how it was in fact applied.

Ms Rush: They did not.

Ms Martel: It would be a little bit difficult to argue that the two CA firms confirmed exactly the methodology that the ministry used and were in fact supportive of that methodology.

Ms Rush: We believed they had at the time we had the discussion with them and asked the questions, but I concur that they did not actually go in and look at our calculations. We believed we were interpreting the methodological advice we were getting as being consistent with what we have done.

I think this is a very important point for all government programs, because we're going to continue, one presumes, doing this and retendering it. We have been in discussions with the Ministry of Finance, the office of the controller. I know they have a draft policy they're working on, and we look forward to the central agency providing us with direction as to which methodology they would like us to use in the future. But I believe it's a very important point; I don't dismiss it in the slightest. I am, though, pleased to report that it did not make a material difference in terms of achieving the cost objectives, but it's one that I think we need to really get some closure on. I personally look forward to the Ministry of Finance's review and report so that we have some internal direction in this regard.

Ms Martel: Can you guarantee to this committee that no further contracts will be let until such time as what I would consider to be the correct methodology is adopted by MTO?

Ms Rush: No, I can't. We will be continuing with the methodology that we're using. We feel very comfortable in that. As I said, the Provincial Auditor was looking at what we had experienced at 20% outsourcing; we're now at 85% outsourcing. We are achieving the savings objectives we indicated in our business case irrespective, of the methodology used. It does matter, but it is not of a consequence that would take us below our achieved target.

Ms Martel: Deputy, you're sure right it matters, quite tremendously, because the government continues to make the case that privatization is saving the taxpayers money. Based in part—I'm not even going to say in total—on the methodology you use, the auditor said very clearly, "Outsourcing may ultimately result in a significant increase in the cost of highway maintenance for these contracts." Part of what he was referring to was exactly what we're trying to get at here this morning. Why would the ministry continue with a methodology that has been effectively challenged in a very public way by the auditor and which in fact may lead to higher costs? Why would you continue to do that?

Ms Rush: Because we have seen in the experience from the 20% to the 85% that we are indeed not going to higher costs. We have achieved the 5% savings. If we use the methodology we use, we go to a higher percentage of saving; if we use the methodology the Provincial Auditor believes is appropriate, we go to a greater saving, but both methodologies lead us to meeting our business case commitment, which was to save 5%.

Ms Martel: The auditor also said, "We were informed that the estimated savings in the pilot district"—which contract ends in the next two months—"were \$900,000, but the ministry could not provide us with any documentation to support its calculation." Is that still the

case? Have you provided any information to the auditor to show how you arrived at savings of \$900,000 in the pilot district?

Ms Rush: This was the pilot area maintenance contract, the first one we did. We were able to provide documentation but we were not able to provide the detail that was appropriate. We certainly made sure about one of the very important and helpful comments the auditor made throughout this report, that from our very early times and our beginning part of this, we needed to pay much better attention to our record-keeping. So while we had the documentation of the calculations, at that point the ministry was undergoing significant change in both personnel and physical location and we were not able to retrieve all of the background calculations. But we did have the overall documents available.

The Chair: We'll have to leave it at that. The time has expired. The government members.

Mr John Hastings (Etobicoke North): Welcome to the committee, folks. What I want to get started at first is to create the appropriate historical context for what MTO is doing today. My first question would concentrate on what specific business core functions MTO is carrying out today as contrasted to what it was doing in the more traditional manner, say, over the last five to 10 years.

Ms Rush: You mean in an overall context?

Mr Hastings: In an overall context. I know you weren't there all those years.

Ms Rush: The ministry's core businesses now are provincial highway maintenance, transportation policy and planning, road user safety and business support. The two most significant changes in the ministry's core businesses relate to the government's initiative of local service realignment, where we are no longer in the direct provision of grants or subsidies to municipalities on a wide range of other transportation activities such as transit and municipal airports. Part of that same exercise realigned responsibilities for some of the highways and roads in Ontario. The municipal sector took some 5,000 kilometres of highways that were no longer considered part of the provincial system.

I guess the second-biggest change has been how we have been exercising those responsibilities—certainly making sure that our expenditures are solely related to those core businesses and finding the most efficient and effective delivery mechanisms that we could for them.

Mr Hastings: While you weren't there, what in your experience thus far would lead you to think that the new specific rationale for carrying out these core functions needed to be changed, instead of just continuing in the traditional manner?

Ms Rush: I think it was clear from the experience in all jurisdictions, virtually, in North America and Europe that there were indeed more cost-effective and efficient ways of delivering programs. We were fortunate in the ministry that we had significant experience with the private sector. We had been doing capital construction through the private sector for a great deal of time and the ministry had already been doing contracting with the

private sector in maintenance, significantly. So I think we had both direct information and by research of other jurisdictions that we could indeed configure a contracting-out tendering process that would protect both the public interest and achieve significant tax savings. So the ministry began, and it was before my time, in a series of teams to evaluate each one of those possibilities.

Mr Hastings: Based on that range of analysis and scrutiny, this led us to where we are today in terms of alternate service delivery methodologies.

My next question relates again—and I guess we're going to go back over a lot of this ground today. To what extent, based on this research and analysis, did the ministry in fact arrive at using a managed outsource or area management maintenance contracting system to achieve the 5% that you are telling the committee has already been achieved in terms of the new arrangements?

Ms Rush: The ministry began with a very extensive business case which it took to Management Board late in 1995 or early in 1996, and in that business case analysis went through the best review, without experience, that they could of the possible opportunities that could be presented by, at that point, three forms of outsourcing. It was all based on estimates. It was based on the best understanding of the marketplace that we had and indicated that there were many possible ways to approach this.

The ministry also put a great premise on risk, because we didn't know things. So if we didn't know things, we'd put a risk factor into what would happen in terms of the financial consequences of this. It was also clear that, in all of this activity, safety was the first priority. The maintenance standards were not going to be changed, they were not going to be reduced, and we were going to ensure through this whole exercise that we would have appropriate quality assurance built in. The ministry then began by saying, "Let's have two pilots in a couple of areas of the province and learn what's going on."

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In between that, there were some labour relations issues that were ultimately settled in the collective agreement process that caused some pause in that rollout. From those early experiences, the ministry came up with a new approach that was ultimately put forward to Management Board in March 1999, in that rather than test these two options and pick one, it came to be very apparent to us that we thought the best option was to blend both of them.

This was based on the experience of actually the bidding we were getting, the number of bidders, the kinds of prices that were possible, the interest in the industry, and a recognition by us that one of the things we quite certainly wanted to avoid was circumstances in other jurisdictions where, having outsourced very quickly and in very large contracts, they found at the next round that they were not getting competitive prices and competitive bids.

So we very much wanted to structure an approach which blended managed outsourcing, which allows many

smaller contracts to participate so that they could keep in the business, keep healthy, keep competing, and also allowed for the efficiencies of larger contracts in the area maintenance contract, which was a more comprehensive form of outsourcing.

It was our feeling after those experiences with our early contracts of both types that we should keep them both in and therefore what we would do is look at the local conditions, both in terms of the geographic areas and in terms of the marketplace conditions, and pick a selection of alternatives that would give us this blended approach. I am very pleased to indicate that we are getting on average six bidders per contract, which I think speaks very well to the kind of competition.

In the area maintenance outsourcing part itself, we've got nine separate companies that have won these particular bids. So it was really how we could achieve the cost-efficiencies we were looking for, assure ourselves that standards were going to be met, and also know that in the long term we had a sustainable system where we had enough players in the business and we felt we would have the appropriate conditions for continuing competition over time so that we'd continue to have very good bids in the future.

Mr Hastings: In terms of the expectations of MTO, do you believe that you have achieved the 5% targeted savings in all of the contracts that have been let?

Ms Rush: We have averaged all of the contracts. We have achieved over 5% in terms of the contracts themselves.

The contracts in and of themselves vary. Some have achieved more savings and some have achieved less savings. All of the area maintenance contracts have achieved positive savings, and most of the managed outsourcings. There are some very small ones where there were tailed-off parts that weren't as profitable as others, and that was indicated in our business case, that when you do something like that you might find one or two small areas. But yes, we are assured, whichever methodology is to be used, that we are indeed above the 5%, and we are still not finished.

Mr Hastings: To what extent were there examples, going through this exercise, where MTO did not award contracts based on the bids submitted?

Ms Rush: Thank you for that question. That was a very important part of our commitment to both safety and cost-efficiency. I believe there were four incidents, four or eight contracts and awards, that were not awarded when the ministry received prices that were bids that were not going to achieve the savings that we indicated we wanted, and we were very clear with the industry that there would not be an award. This occurred in the Toronto area, and I believe it occurred in a couple of instances in the north.

Mr Hastings: By larger bidders or by combined consortia groups?

Ms Rush: They were a combination of some consortia and some single bidders. I just have the number here

before me now. There were eight contracts that were not awarded because the bid prices did not provide value.

Mr Hastings: One of the key issues this committee is going to have to come to grips with, and it has already been expressed through Mr Gravelle's motion, is that there is this general contention that when you change your methodology of providing service in terms of maintenance contracts—that you have to keep with the same traditional approach, which is certainly evident in his motion, and if you go to any type of different methodology, area maintenance contracts or outsource management, you are going to end up with major problems of increased risk situations; that is, the potential for accidents, for unfortunate tragedies, for deaths in some instances, on our highways. One death on any highway of the provincial highway system or the municipal system is quite unacceptable.

My question is this: To what extent, if any, is there evidence from your particular research at the beginning of this whole exercise and scrutiny thereof, in going through with outsource management or area maintenance contracts, that you have failed to maintain maintenance standards, that you have in any sense risked public safety in going to an alternative delivery system instead of retaining the traditional approach? That's going to be a core issue today. I would like to know if there has been any evidence of that, and, if there is, what would constitute that evidence.

My second question would be, to what extent do you yourself or your staff feel that by using a different method of delivery of service for maintenance contracts you jeopardize public safety or any of its associated dimensions? I'd like to know how you can answer that question generally and specifically.

Ms Rush: The men and women of the Ministry of Transportation are actually—and I will use the word—quite passionate in the field of safety. We are committed to ensuring public safety; it's one of our core functions, and it is a matter we take very seriously.

On an overall measure, we know that what we have done in total in Ontario is making a difference in a positive sense in highway safety. We have a public performance measure that we will be among the top 10 safest jurisdictions in North America, and I'm very pleased to tell you that we are in the top four. So, in total, everything we are doing seems to be making some difference. The latest overall statistics we have show that the death rate from vehicle accidents in Ontario is as low as it was in 1950. That's from a combination of all kinds of things.

But let me back up specifically to alternate service delivery. One of the things that I think the ministry spent a great deal of time and attention on was making sure the tendering process did two things. One was to specifically give clear and very well presented contracts that indicated to the contractors exactly the standards they would maintain. I assure you these standards were not changed from ministry standards. So in the tendering and contracting process itself there was an indication of what was

going to have to be achieved, and it was identical from the ministry's point of view.

Any bidder who comes in to participate in that bid first of all has to go through a double-envelope tendering process. There is a qualification process, that they are financially qualified to participate but that they are also technically qualified. If they cannot meet the score of competence on a number of technical scales, which are all evaluated, we don't even open the price envelope. We start from the bottom up in terms of assuring public safety. We have contracts that have very explicit, clear ministry standards in them, and we have a way of looking at that methodology so that we come up with an appropriate quality of contractors to begin with.

Then our job is one of quality assurance. That quality assurance takes two forms. In an area maintenance contract form, the patrolling, which was one of the traditional jobs of the ministry, is performed by the area maintenance contractors.

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What we have done is we have ministry staff now doing a quality assurance role that constitutes a number of things. One is direct driving on the highway to ensure, on a spot-check basis, on a regular basis, that they are indeed doing what they said they'd do, and a number of management information systems, incident reports, allow us to monitor that they are doing the job according to the standards.

Our belief is if you have the right standards, which we believe we have, if those standards are well and clearly described in a contract, if you have a system that properly screens and looks at the technical competence of your contractors and the contractors therefore are monitored on the spot with audits by individuals who have a responsibility for quality assurance, and that information is collected and used, penalties are in place in the contract for any abuse and penalties are severe, financial and they can ultimately, as I said in my remarks, lead to a cancellation of the contract and an inability to bid on future business—those were all measures we put through in the program design of how we were going to ensure the very thing you're talking about: that the private sector was going to be able to perform all forms of maintenance—and I know winter maintenance is of particular concern—to the same standard as the Ministry of Transportation.

I should again point out we've been using private contractors in some regard since the 1970s. So sometimes what people think was direct ministry service in the past was also contracted-out service.

Mr Hastings: In going down this route of alternate service delivery, whether it's managed outsourcing or area maintenance contracts, in your research, in talking with the other jurisdictions—states and provinces, I assume?

Ms Rush: Yes.

Mr Hastings: Did you find, in any reports, in any letters or in any verbal discussions, however those are arranged, that the alternate service delivery system,

whether it be managed outsourcing or area maintenance contracts, exclusively contributed in any way, shape or form to what is in Mr Gravelle's motion and the general contention that's out there in some of the media that this particular approach makes public highways less safe, and all the consequent dimensions to that? Is there any evidence anywhere that would sustain that thesis? That's my point.

Ms Rush: Not that I'm aware of. Most of the research—helpful, best practice hints we got from other jurisdictions—was about how to make sure you maintain competition and keep costs under control. Carl Hennum was directly involved in some of that research, and perhaps he could add something.

Mr Carl Hennum: In 1995, prior to initiating this outsourcing process, we had very extensive consultations with a number of other agencies, not just in Canada but also in other countries in the world, particularly Europe, with the same climate that we have here in Canada. Of course, we found what we expected to find: that these highway agencies cannot afford either to compromise on safety. So they also have a safety assurance process in place, the way we have, in order to make sure that there is no detrimental effect of the outsourcing. They've done that very effectively, as I think you learned we have.

So there is no evidence; we have no indications from the other people who have been in this business that safety has been compromised.

The Chair: Mr Hastings, your time is up. Before I turn to Mr Gravelle, Mr Peters wanted to make a comment. Do you still want to make that, sir?

Mr Peters: Yes, if I may. The pilot contract is expiring on, I believe, April 30, 2000. I presume there's an exercise going on in the ministry right now to evaluate the performance of the contractor for the purpose of whether it is to be renewed or not. Maybe it has already been reviewed. But since we have this controversy on the financing and financing costs, and certainly to assist the Ministry of Finance to come up with a good rule, have you carried out an evaluation as to how much financing cost the pilot has actually saved the government?

Ms Rush: I don't believe we've done that specifically, but we are in the process of looking at all the material now. But I believe their contract has an extension.

Interjection.

Ms Rush: The person who is doing it has just told us that, yes, we have. So yes, we have looked at that. But this particular contract has a two-year extension as a possibility in the contract.

Mr Peters: OK. Thank you.

Mr Gravelle: May I say at the outset that I think we're a little disappointed that the minister, Mr Turnbull, didn't show up himself. This obviously is a very important discussion we are having today, and the auditor's report has shown us a number of concerns that we should have.

May I also say, with all due respect, Deputy Rush, that what seems to be coming across very clearly is that you are committed to going forward with the continued

privatization regardless of some clear evidence that emerges that the savings may not be in place. Indeed, I appreciate Mr Hastings acknowledging potential risks to drivers' safety. That is really why I put this motion forward. We have, again, clear evidence that the savings are not there, although you disagree. The auditor has clearly made a good case that you should not be including, obviously, the financing charges as part of that. So you're committed to that, and I have some concerns that you just walked into that; that's the commitment.

Let me begin my questioning, though—and that's why I put the motion forward. Also, as you may know, I did write the minister and the Premier asking for an independent review to be initiated by the ministry, which was turned down, which again is why I moved to the position of putting this motion forward. I think we all have an obligation to make sure the public is safe driving. That's the number one issue. Certainly in this province this past winter, in northwestern and northeastern Ontario, we've seen an extraordinary number of fatalities, well above what we have seen before, and there is great concern by municipalities. We just had a resolution passed by the township of Manitouwadge last night asking that there be a public inquiry, which they will be bringing forward to the Thunder Bay District Municipal League asking the ministry to do so. This is not an issue that is going to simply go away. We've had chambers of commerce express their concerns and ask that there be such a review. I know that Mayor Bob Krause of Schreiber has come forward with concerns about the changes and the difference of quality. So there are many, many reasons why I am putting that motion forward.

Let me begin my questioning, if I may, by asking you about the pilot project. Normally speaking, when a pilot project is put forward, you have a set time that it is going to be put in place. You complete that process. You evaluate it. You do not move forward until the pilot project has been evaluated, there has been an impact analysis and there is an assessment of savings.

I can give another example. The ministry, three years ago, put in an advance warning light on the Thunder Bay expressway, which I was delighted that the minister personally agreed to try on a pilot project basis. I tried many times to have an evaluation done in advance of the end of that three-year pilot project. No, they insisted on waiting until the three-year period was up to evaluate it. I didn't necessarily agree, but I accepted that. That's how pilot projects work.

Can you explain to the committee why, then, you would not follow that procedure? It's obviously one that makes sense. It's what a pilot project is for. Can you explain why you would not complete the pilot project, do an analysis, and then on that basis move forward, rather than what you have done, which is to carry through and move forward on the privatization without that pilot project being evaluated?

Ms Bush: I believe we were—I know we were—evaluating the pilot project as we were making our refinements in the business case that we took back to

Management Board in March. It was on the basis of evaluating the pilot project of our first AMCs. We were able to do that immediately as they started to do the work. We kept in very close touch with them. It was important to us to see what was happening in that particular area. So while we did not wait for the end of the period to do the formal evaluation, I think we were evaluating all along as to what was happening; as well, with the early efforts on managed outsourcing.

More time, frankly, than I think we expected had gone by because of a very important labour relations issue. We also had the local service realignment. We actually had a period of time of close to a couple of years that we were not proceeding very quickly with this. So I believe there was adequate time for us to learn from the early experiences. As I said, that is the main reason we decided that we would be better off going with a blended approach than picking one form of outsourcing as opposed to the others.

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Mr Gravelle: It's interesting to know you certainly can evaluate a pilot project, then, if it suits your purpose. Obviously, it's a pretty interesting approach to take, because one would think the purpose of a pilot project is to complete it and see, and also, we still have no authentication of the savings that were put forward in terms of the pilot project. Despite what you've said, what has become incredibly clear is that the 5% savings that you said were there certainly aren't there across the system, and that doesn't address safety concerns, which are very real, and I'll get to those in a more specific way later.

Let me ask you about the blended approach. It was made very clear that managed outsourcing, if that was the route to go, was more likely to save money than the area maintenance contracts. It sounds like there's some level of agreement that you have there, because you've got this blended approach.

If I may, I'm going to use the examples in my part of the province, because I'm perhaps more familiar with them. In Thunder Bay there was a move to full area maintenance contracts, and it was acknowledged by your ministry officials that indeed the tenders came back at four and a half times the cost of what the ministry itself could do it for. That was acknowledged publicly, actually. That's a pretty extraordinary increase in costs.

I'm finding it hard to understand how a blended approach would suddenly make that four and a half—I mean, that's a lot of money, and you might not want to tell me what the costs would be. That's an extraordinary thing to say, that now if we go to the blended approach, we can actually do it for less than what the ministry would do it for. Can you explain that?

Ms Rush: I'd be delighted to. It was exactly the fact that in some cases, in some markets, where we went forward with a tender on an area maintenance contract, I don't believe their estimates were that high, but they were certainly higher than we knew we could do the job for ourselves, so we didn't award. The blended approach

allowed us to say, "We didn't properly evaluate the local conditions in that market; let's look at a difference configuration."

I think we've protected the taxpayers well. We did not award. The industry got a very strong signal from us that we were not going to award bids that came in well above our own estimated cost. That was clearly not going to happen. But it speaks to a flexibility of having two ways of doing it. Sometimes, in the early times, this was a very new venture for both the ministry and the contractors. So one of the things that was clear, as everybody got some experience in terms of looking at our tender documents and knowing what they needed to tender on, and we had meetings afterwards with some of them to clarify that they knew exactly what there were supposed to be doing, was that it also gave us the opportunity in some cases to say, "That particular market condition, that particular local area, is perhaps better served, and we'll both ensure safety and have a better outcome financially by going to a managed outsourcing."

It was exactly those experiences, sir, that led us to believe we should keep the flexibility of both options. We also found that the price variation was not as we had assumed it to be in 1995 before we started. So really it gave us the flexibility to make sure we were putting the right configuration forward for the marketplace and the conditions for that particular time. It also would allow us to make different changes in the future, but still outsourcing and still providing safety.

Mr Gravelle: I happen to believe that our highways and our provincial roads should continue to be maintained by the public service. I happen to believe, and it's becoming more and more clear, that it would probably cost us less with the public service because there's more and more evidence being gathered that this indeed, the maintenance outsourcing or the blended approach, is going to cost more.

We have the example in British Columbia. I'm curious as to whether you looked at that. You talked about the jurisdictions, but we know there was an accounting done of the privatization process there, and ultimately it was determined that it was costing about \$100 million more to do it through this method rather than through the public service, and you're using essentially the same methods they use.

Ms Rush: I have to make a comment here.

Mr Gravelle: I mean, there should be some lessons in that. Those are facts that are on the table, and you have not yet been able to provide the committee nor the auditor with any information that suggests other jurisdictions that would do the savings. I submit that's not the major issue, but you're still basing it on that.

Ms Rush: If I may, sir, it was exactly the British Columbia experience that led us to alter the approach. We did not do what British Columbia did. We learned a tremendous lesson from them and quite appreciated the fact that they were a case study for us to look at. What British Columbia did is move very quickly with rather large outsourcing activities, and they were the ones that

found they hadn't fostered competition when they went to re-bid.

I think the Provincial Auditor was quite right in pointing that out as an important case. We had looked at their experience and did not want that experience in Ontario. What we were after, the reason for the blended approach and the reason we're delighted with the number of different bidders, is that they're allowing small companies and large companies to bid for these, as we are fostering competition out there. British Columbia was the most important jurisdiction we studied.

I appreciate your comments, but I believe that what we have done is learn from that experience and made an Ontario solution that we're very convinced will prevent us from being in that circumstance.

Mr Gravelle: It seems to me that what you should have learned is that it may cost more. Have you accepted the possibility that it may cost more? Obviously we are in dispute about the savings. I think it's pretty clear that the savings aren't there. I think the evidence is overwhelmingly there that the savings aren't there, at least in terms of the four projects that were studied in advance. That's why we want to have the auditor look at the whole process again.

Will you accept that possibility, that indeed it may cost more?

Ms Rush: I think it would be extremely unlikely with the evidence we have to date. As I said, when the Provincial Auditor was looking at these contracts they were in the very early days. I think the industry was still learning how to bid. The Provincial Auditor was looking at a circumstance where we had around 20% outsourced. Irrespective of the methodology used, we are confident that at 85% we have saved over the 5%. We also believe that by using this approach—the number of companies across the province which have bid, the opportunities we have for small companies to bid and give us good prices and efficiency, the opportunities for companies to become larger and provide more management services—we are very confident that we are creating, by the procurement and tendering processes we're using, the kind of competition and competitive environment that will lead to continued cost savings.

Mr Gravelle: I appreciate what you're saying in terms of what you truly believe. What I hope is that your convictions about that, and also our disagreement that is the case, will give the government members on this committee confidence that they can support my motion, because obviously you will be confident that indeed the auditor would find out that what you're saying is the case. I would hope that would encourage the members opposite to allow this independent review. Obviously the auditor would be the ideal person to do that, because you would believe he will confirm your beliefs, and this is a great way to do it. I would certainly welcome that support, based on that opportunity. Let's find a way to settle this, folks, and that may be the only way.

Let me discuss, if I may, some other issues related to the safety aspects. There has been a dispute for some

time about the quality of the maintenance. It's been my contention quite frankly since the fall of 1995, when the government first came into power. One of the first things they did was announce a cut in the budget for maintenance services back then and a decision that they were going to change the way maintenance was being done. I'm sure you're going to tell me that their standards haven't changed, or at least haven't declined, but they certainly have changed.

We know about the larger patrol areas which, again, the auditor identified very clearly as being potentially of some concern. I certainly have a lot of examples of the large patrol areas being of concern. There are a couple of issues here. I know that the Geraldton district—again going back into my part of the province—is a pretty large district to cover in terms of the patrols, going from Gorge Creek, just above Nipigon, right to the Thunder Bay-Cochrane boundary and up to Nakina. I understand that there have been occasions when one person is doing that; when there are days off and whatever situations occur, that indeed one person is doing that. I know that your regional director in northwestern Ontario would be aware of the extraordinary changes in weather that can take place over a short period of time. I think of the Beardmore area and how things can change.

What we have is a situation, it appears, where you've got one person, potentially, patrolling an extremely large area, having to go back and call in before the private contractors are even able to go out there. That obviously is a concern. The auditor identified that as a concern. Is it a concern for you? Certainly it should be, it seems to me. Indeed, that's one of the staffing issues. That doesn't quite get to the whole question of monitoring the AMCs, but that is a real issue. It's one of the reasons why we think there's been an identifiable decline in maintenance by so many people.

1150

Ms Rush: Perhaps I could begin my answer by defining a little bit the roles and responsibilities, who is responsible for what on the roads. When we moved to area maintenance contracts first, the patrolling function was taken over by the area maintenance contract people.

Mr Gravelle: I understand that. I'm talking about MOs right now.

Ms Rush: But if I can say, the comments about the 300- to 500-kilometre area relate to the area of an area maintenance contract. I believe some of the staff the Provincial Auditor spoke to at that time expressed their concern that that was too large as a patrol area. I think they were just coming to grips with the significant change to their own jobs, where they were no longer providing the patrol function; they were providing the quality assurance function. In talking with our staff today, I think they're far more comfortable with—

Mr Gravelle: But there is a situation up in the Geraldton district where indeed that is taking place, where there can be one person who is doing the entire patrol, which is about 600-plus kilometres. That being the case, clearly we can think in terms of how long it

would take to do that and how the weather conditions could change. That strikes me as dangerous. That strikes me as making it more dangerous and that strikes me as a decline in service, in maintenance standards.

Ms Rush: In managed outsource activity like Geraldton, it is our own people who are still doing the patrolling.

Mr Gravelle: I appreciate that, but I'm saying that you haven't got enough of them doing it. That's part of the problem. They've got to go out and report what the conditions are. If you've got one person doing a large patrol area who is going to call the private contractors out, and they are doing a massive, long patrol and they can't get back for six or more hours, the weather conditions can change dramatically. That, to me, is a decline.

Ms Rush: Perhaps I could ask the regional director to come forward and explain the communications capabilities in terms of getting that information.

Mr Gravelle: I just want that specific area, if I could.

Mr Larry Lambert: I'm Larry Lambert. I'm the regional director in northwestern Ontario.

Mr Gravelle is quite correct that the vast majority of northwestern Ontario is under the MO form at this point, and in the MO form the patrolling function is provided by the ministry, as it was.

The Chair: Just for the record, could you just explain what "MO" means. There may be people out there who don't understand.

Mr Lambert: It's the managed outsource approach to winter maintenance. With that mechanism, the ministry does continue to provide the patrolling function in total. We provide patrollers, and in winter we have additional patrollers on. In the Geraldton area we do have a substantial patrol length that is undertaken. We have standards in place to determine the number of kilometres that a patroller can patrol and we hire additional seasonal staff to complement that, based on the area.

Mr Gravelle: In the example that I gave, though, can that happen? Has it happened? I've been told it does happen: one person, because of various circumstances of staffing, doing the whole patrol area on a given day.

Mr Lambert: I believe you used a figure of 600 kilometres. That cannot be correct.

Mr Gravelle: But one person could be asked to do the entire patrol area.

Mr Lambert: One patroller is assigned during a given shift to the entire patrol, whatever the length of that is, and I will obtain the exact length of that for you.

Mr Gravelle: OK. That's my concern.

There's another issue that I want to get to. I've got two minutes; I'm very concerned about my time. There seems to be also a difference in quality that literally is visible to the eye in certain stretches of the highway. As I mentioned earlier, Mayor Bob Krause of Schreiber has written the minister a letter about that, that you will drive one part of the section of the highway and it's maintained—it looks like it's summer. You're driving beautifully. You cross over the bridge, and suddenly you're into conditions that are quite dangerous. I appreciate that's because there may be different contractors doing it.

Interjection.

Mr Gravelle: It's absolutely the truth and it's fact. So that's a concern.

The Chair: Did a government member say it's a different riding? Did I hear that?

Ms Mushinski: A Liberal riding.

Mr Gravelle: I've got a very big riding, members.

What I want to pass on to the committee—and I'd like to show this to the ministry, but more specifically to the auditor, particularly if my motion is passed. This is a video that was taken by Mr Cecil O'Flaherty from Atikokan, passed on to my colleague in Thunder Bay—Atikokan, Lyn McLeod. This is a video of the road between Atikokan and Thunder Bay and it's clear evidence of the difference in the conditions at various parts of the highway. That's about a 200-kilometre stretch. It's very interesting. That also suggests to us that there is a decline in standards. It's visible changes in the quality of the maintenance as you go along. Weather conditions are quite the same in this particular case. So you go and you cross over a certain area—that's a concern, and that's one of the issues that we think causes dangerous driving, one of the things that could cause accidents. You're driving along with a certain mindset, and then you cross over the bridge and suddenly you're into a different kind of driving condition. So I want to pass this video on to the committee.

I have another video that actually—perhaps I'll get to this in the afternoon—speaks to the need for us to four-lane the highway between Thunder Bay and Nipigon, something I'd love to ask the gentleman who is in charge of construction here about, as to why we are not moving forward more quickly on that. To us, many of the issues of safety could be resolved with a twinning of the highway between Thunder Bay and Nipigon, in fact, Thunder Bay and Shabakwa. When an accident takes place there—obviously this is the one way across the country—we are not able to get beyond that. As I say, when I have more time, or if you've got a moment now, I'd be curious about that.

But I want to pass this on to you. That's a major concern. I'll be discussing it perhaps more this afternoon and maybe asking the other gentleman about the Thunder Bay-Nipigon twinning plans and where they're at and why we can't move forward more quickly.

The Chair: Any final comments before we recess?

Ms Rush: No, thank you.

The Chair: Then we're recessed until 1:30. Thank you.

The committee recessed from 1156 to 1333.

The Chair: I'd like to call the committee back to order, please.

Mr Gravelle: I just wanted to seek some clarification. I made reference to the video of the driving conditions between Atikokan and Thunder Bay, which I wish to pass on to the committee so they can look at it. I wonder if it's possible to get a copy made of this so that it can also be passed on to the ministry for them to take a look at as well.

The Chair: If you give it to the committee, then the clerk will make sure that a copy is made and forwarded to the ministry as well. I believe you made comments to both effects before the recess, actually.

Mr Gravelle: That's right. Thank you very much.

The Chair: That will be done.

Ms Martel, you have 20 minutes.

Ms Martel: Deputy, I would like to return to this issue of methodology because, unless I'm mistaken, how the ministry uses its methodology and how the auditor would prefer you use it could result in very different outcomes financially, if you were applying your methodology contract by contract.

I clearly heard you say a couple of times in your responses that regardless of whatever methodology had been used, either yours or the auditor's, there would have been savings. I'd like to go back to that, because in the auditor's report on page 243 the auditor questions the methodology. We've gone through that already this morning. But he also says very clearly, "If all of these costs were factored out of the ministry's estimates, outsourcing would result in estimated losses on three of the four contracts." So I take from that that if his methodology was being used, the ministry would not have received the savings that you say you have; in fact, we would have seen significant losses on three of the four contracts. Can you respond to that?

Ms Rush: Thank you for the question. That same page of the audit report also states that we would require significantly higher savings in order to achieve the overall, and that is indeed what took place, so that we have received higher and higher savings as the industry became interested and more competitive in their bid prices. We have indeed, as I indicated this morning, to the best of our ability recalculated the totals as we have them now at 85% outsourcing, and we have slightly more than 1% different savings by using the methodology suggested by the auditor and the methodology that we say, and both of those are over 5%.

We did indicate that we were beginning the process at this point. These were the very early contracts. The experience for both us and the industry proved to get better and better through the contracting, and we have indeed, irrespective, as you say, of the methodology used, achieved greater than the 5%, which was our commitment in terms of the business case.

Ms Martel: I just want to be clear: You are using your methodology for the other contracts that you've been dealing with.

Ms Rush: Yes, we have.

Ms Martel: You've said quite consistently to this committee that you've experienced over 5% savings. I wonder if you'd be prepared to table with this committee those data that would clearly prove to the committee and to the auditor that in fact the savings that you say have been achieved have been achieved.

Ms Rush: Yes, I can indicate that on the totals from the contracts that we have today we've achieved, according to the way that we calculate the accounting

methodology on the cost of capital financing, 7.8%. It is slightly more than 1% less if we use, as we understand it, the auditor's suggestion.

Ms Martel: What data would it be that you would table with us to demonstrate those savings and how they were arrived at?

Ms Rush: I would have to get back to the committee on that in terms of our ability to do that. We have some information confidentiality issues in terms of individual contracts, but I believe we could find a way to do it in summary tables that would be satisfactory. If we could work with the committee to do that, we'd be happy to do so.

Ms Martel: I would like not just the total savings; I wonder if you can provide to us, contract by contract, the—

Ms Rush: That I will need some clarification on and would work through the committee for that. As I say, given the competitive nature of the industry we have, part of our ability to keep competition in the marketplace is to make sure that our own estimate price is not known. That would be a way to ensure that we would not have a competitive market. But I believe there's a way that we can meet your needs and have some appropriate data provided.

Ms Martel: As a follow-up to that, the earlier concern raised by the auditor with respect to the estimated savings in the pilot district of \$900,000 was that the ministry at the time of the audit could not provide the auditor's staff with any documentation to support that. You said in an earlier response to me that you had that documentation now. Can you table that documentation with the committee to show how that \$900,000 saving was arrived at?

Ms Rush: We had some documentation. I thought it was clear this morning we had some documentation. We had the summary tables that we used. We do not have some of the background information. At that point the ministry was going through a very large change in both personnel and geography, and we cannot provide some of the detailed background. We can recreate some of the calculations, but again I would ask for clarification in terms of confidentiality. If we could work that through the committee in terms of a way to satisfy your interest and maintain the required commercial contract confidentiality, we will provide you with what we can.

1340

Ms Martel: When you say you have some documentation now, was that ever provided to the auditor at the point of the audit?

Ms Rush: I believe the auditor saw what we had, and they were summary tables. I believe what was missing were some of the background calculations.

The Chair: Just so I am clear, when you say you can work that through the committee, if you don't mind for just a minute, how do you propose to do this? Are you going to provide us with some of the information, or will you do this through the auditor's office, or through the researcher's capacity or abilities?

Ms Rush: At your direction, sir, we would provide appropriate information to the members.

Mr Bart Maves (Niagara Falls): Maybe that could be part of our discussion.

The Chair: Okay, we'll discuss that later. Thank you very much. Yes, go ahead.

Ms Martel: Just so I'm clear, what you're going to provide to us is something different than what was provided to the auditor at the point of his audit. Is that correct?

Ms Rush: The auditor is entitled, through his legislation, to look at all information. As I understand it, he keeps confidential those things that are part of the commercial reasons for confidentiality.

Ms Martel: Sorry, I've not made myself clear. The concern in the audit was that the ministry could not provide the auditor with any documentation to support its calculation of a \$900,000 saving. What I'm trying to get at is, the documentation you are offering to provide the committee now is in fact proof of the saving that was not provided to the auditor at the time of the audit. This is different information that you're going to give us to substantiate a \$900,000 saving?

Ms Rush: No, the auditor had available access to what we had at the time.

Ms Martel: Can I ask the auditor what was missing, then, which would lead you to say in your report that there was not the documentation to support the figure of \$900,000 of savings?

Mr Fitzmaurice: They gave us the contract bid price and their estimate, but they couldn't support their estimate or give us a breakdown of the estimate. Certain tables are available, but we can't tie those numbers into this \$900,000.

At the time, they said they could possibly recreate where this number came from, but we felt that wasn't appropriate. We'd like to see where their calculation came from, how they calculated it, and follow that back to source documentation, which wasn't available. They didn't have it. There was a certain number, and we'd like a breakdown of that number and where this breakdown of these numbers came from. All they really had was a total number, and we couldn't work it back from there.

I'm sure there are tables available of maintenance costs at the time and things like that. Those things were available, but they can't be tied into the ministry's estimate.

Ms Martel: Can I ask a question of the auditor as well, and then I'll ask the ministry: What information would you require to make a reasoned, legitimate estimate of whether or not the ministry is seeing any savings? What would you need to see in individual contracts that would convince you or give you comfort that in fact the savings the ministry is talking about are real savings?

Mr Peters: What we would like to see is the—in particular we're talking about the pilot right now. If you recall, at the pilot time the contract had already been granted. It had been in effect for some time. So when the original estimate of \$900,000 was made, we just couldn't find sufficient documentation to support the individual elements that made up the \$900,000.

What we would like to see now, after the performance of the contract, which is expiring in two months, is the actual savings achieved over the term of the contract. The original estimate has now become almost a moot point. Now we have the actual time, so it would be worthwhile to have a calculation demonstrating what savings were achieved from the pilot over its life.

Ms Martel: OK. Deputy, is that information that you can provide to this committee?

Ms Rush: Again, I would have to seek some direction from counsel in terms of what's commercial information which is covered by confidentiality through contract, and what is available information. This is covering a great deal of information, some of which is confidential by virtue of contract. I hope we can find a way to satisfy the concerns overall. But as I say, I can't, without speaking to counsel and getting some direction, know exactly what information is releasable when you're in a contract situation.

Ms Martel: That responds to the specific pilot document. I continue to have ongoing concerns about what the differences in savings would be depending on what methodology would be used.

Let me ask you a second question that's not specifically with respect to the pilot but the other contracts that have been signed to date. What would we need as data to determine whether or not the kinds of savings that the ministry is talking about could potentially be achieved in the other contracts as well—not just the pilots, but the other contracts that have been signed—given the ministry has used their methodology and given you have expressed serious concerns about that?

Mr Peters: It would be the same information that we had for the four contracts that we did review; that's what we would be looking for. There we were able to look at all the elements, discuss all the elements with the ministry and come to an agreement on the elements. On some we obviously disagreed, but at least there were data on which we could base an informed discussion of the estimates.

Ms Martel: The information that you had allowed you to do that? It was sufficient to allow you to do that?

Mr Peters: On the four contracts, definitely, we had sufficient information to enter into that discussion.

Ms Martel: In terms of your review of the four contracts, are there obligations that you have with respect to the confidentiality of those four contracts?

Mr Peters: The difficulty is—and maybe the deputy can correct me on that—from my office's perspective, under our act we have access to all this information. I think the concern is making it public to the members. We could receive the information, interpret the information, report on the information to you, but the concern is giving the information directly to the members.

Ms Martel: If nothing else, at least we could request that you take a look at the other contracts, scrutinize them in the same way you did in the four pilots and come back to the committee—not using anyone's name or any company names—and give us your results with respect to

what you perceive the actual savings to be on the remainder of the contracts that have been signed. We could do that, if nothing else.

Mr Peters: If that's the wish of the committee, that could be done.

Ms Martel: That would be great. Thank you.

I want to look next at some of the contracts that were let without tenders. This happened in two cases. Perhaps "tenders" is not the best word to use for one of these. But the auditor noted in two instances—one, in the sale of MTO assets, and secondly, in the tenders with respect to what you call preservation management contracts—Management Board rules were not followed. In the case of the sale of MTO assets, those should have gone to public auction; they did not. It seems, from what the auditor pointed out, that would have been a contradiction of Management Board rules. Secondly, in the case of the management contracts for preservation work, a number of awards were made without going to tenders for the possibility of other contractors to apply. Can you tell us, Deputy, why in both of those cases an apparent contravention of Management Board rules occurred?

Ms Rush: Yes, I'd be pleased to. In the case of the surplus assets, this was always intended to be the way area maintenance contracts in particular would be let. In the business case that we took forward to Management Board in 1995, we laid out a scenario where we thought it would be more cost-effective and we would ensure value for the taxpayers' dollars by having these pieces of equipment as part of the area maintenance bid. So the competition part and the tendering bid, in our minds, were part of the area maintenance contract activity itself, because in the winning of that award they had the right to buy the surplus assets at market value. So we had protected the public interest, we believe, twice: once by having the bid actually included in something that was properly tendered, and secondly, by ensuring that that first right of refusal was indeed at market value.

We did believe at the time that the business case approval by Management Board constituted the approval to proceed that way, because we felt we had made the argument that that was a very logical way to look after these particular assets. The logic of this for us was that these assets were usually the right configuration of equipment for the area being bid out, that they actually made sense in terms of where they were located and there was an overall collective efficiency and that if we had a tendering process through the area maintenance contract and we had a protection that that value would never be below market value, that was an appropriate way to go forward.

1350

The Provincial Auditor pointed out to us that we had taken implicit direction from the business case to do that but had not sought explicit, and so we will correct that in the future. As I say, through this business case our intent was that it was tendered as one of the features for the area maintenance contract and the value would be at market value as a right of refusal.

Ms Martel: Before you move to the second one, just so I'm clear of the process, as part of the tender document itself the market value of the assets was listed as part of the RFP?

Ms Rush: That's correct. And they had a right of first opportunity of first refusal, if they chose to.

Ms Martel: Depending on whether or not they already had the equipment itself.

Ms Rush: The business logic to us was here you had work being done in one methodology that was about to move to another. Probably it was the right configuration of equipment if they didn't have that, and it was also in the right place. So it made business sense. And, as I said, through the business case minute and permission, we did think that we had sought the appropriate approvals, and the Provincial Auditor is correct to suggest to us we get more explicit approvals.

Ms Martel: Did any of these assets also include MTO buildings?

Ms Rush: Patrol yards? No.

Ms Martel: So strictly equipment.

Ms Rush: It was strictly equipment.

Ms Martel: Snowplows, graders.

Ms Rush: Yes.

Ms Martel: OK. The second case then, with respect to what the ministry would call a preservation management contract—

Ms Rush: I think it's quite a similar circumstance. This was again a logical business element, we believe. If I could explain, from pure maintenance through to preservation maintenance through to capital is a bit of a gradation of just a little bit more work. We have, in our business, a time to go beyond a maintenance contract to a very small bit of preservation management. They're small contracts. For example, if there were an area of potholing that was abnormal and needed to be dealt with quickly, and they were severe and they were beyond, that would be let out as a separate contract.

Here we have people on the spot. This was in the tender document. Again, it was a right of first refusal, a right of first opportunity to do the work, only, though, if we felt the price they were offering was appropriate to the ministry estimate of the price.

It is an attempt to get overall efficiency into this marketplace, recognizing the business interest, and we did something similar as in the surplus assets question. We did put this in the business case. We did take it forward as a way to proceed to Management Board. We felt that was the permission we needed, and I think the Provincial Auditor has pointed out we needed something more explicit.

But I think what we're after is fairness and efficiency. This was again a feature that was possible extra work for the area maintenance contracts winner. They knew that at the time of bidding. It was part of what they bid on. These are very small-valued contracts that make economic sense to get going quickly. Again, we had a limit protection. We would not do this at above what the ministry knew to be its reasonable estimates. That was

our intention. We thought the business case elements were well described. We did put it into the tender document. Again, what I believe the Provincial Auditor has pointed out to us is that we should obtain more explicit approval when we're going to do something like that, and we appreciate that.

Ms Martel: Deputy, it seems to fly in the face of your other stated intent, which is to ensure the competitiveness of the industry. You have cases where you would let an entire contract for area maintenance, which could be hundreds of kilometres, and not only would they get all the maintenance, then they might get the bridge work and other things that would go with it. So I'm having difficulty understanding how you would know whether or not you could have got a better price from smaller contractors if you had allowed that process actually to happen.

Ms Rush: We were working on the assumption, in terms of the timeliness and the fact that again we had had an incredibly competitive process for the award originally, that we were talking about small, extra pieces of work that are of relatively low value and actually are, therefore, somewhat more expensive to tender. As you know, the lower the value of the contract, the more cost for both parties to go through the tendering activity. This is in no way moving into all of preservation management. These are small contracts. They're in the order of, where we have perhaps an area maintenance contract in many millions, extra work in a season of \$100,000. It just goes into a different definition of work. So we do believe it was a more efficient way of doing it, and again our belief was that the competitive aspects of this were looked after while in the tender and we are still making sure that we are getting the work done at equal to or better than the ministry's estimate of what the work would cost.

Ms Martel: Deputy, I want to ask, has the ministry established any limit at all, an upper limit, on the amount of work you would give to any one contractor?

Ms Rush: No, we have not done that.

May I say that we did put that right into the contracts. Again, this is going back to 1995. We did not know at that point what the level of competition would be. We did not know at that point the level of interest or the sustainability of some of the interest, so we did put in a protection for ourselves. I believe the thinking at the time was wondering if the mergers that seemed to be occurring in every sector of the economy and across the globe would start to occur here and we would find ourselves in a circumstance where a company could dominate. I am pleased to say that we haven't seen that occurring. As I say, we have nine different companies that have won. We do hold that right should we feel our fundamental principle of maintaining healthy competition starts to not look like it's as strong as it should be.

Ms Martel: So at this point you won't have a limit and it will only come in effect if you think that competition is somehow being undercut, I guess is the best word I'm looking for; if it's going to be at risk.

Ms Rush: If we felt that the competition of the industry were beginning to be at risk, we would seriously look at that. We don't have a particular policy, but we did declare the right that we might want to in future. All of these things at the beginning were intended as protections.

As I said at the beginning, one of the great lessons we have learned by looking at other jurisdictions is that whatever you do in the methodologies you choose and in how you go out for your tendering and procurement, you're always conscious that you don't want just the best price today, you want an industry that's going to have competitive possibilities in the longer term.

Ms Martel: I want to ask you about safety.

The Chair: We're at about 22 or 23 minutes. Do you want me to lengthen each rotation a little bit?

Interjections: No.

The Chair: OK. Then we'll turn it over to the government side.

Ms Mushinski: Thank you, Mr Chairman. The auditor has indicated that provincial highway maintenance has increasingly shifted from an internal ministry operation to obtaining private sector contractors, actually since the early 1980s. He goes on to say that it actually wasn't until 1996 that the ministry developed alternative service delivery strategy by entering into a number of contracts with the private sector.

Can you tell me if there were any strategies or business methods that were followed since 1980 or the early 1980s when provincial highway maintenance was shifting from internal operation to private sector operation?

Ms Rush: You're talking about since the 1980s?

Ms Mushinski: Yes. Were there any parameters in place, any best business practices that were introduced, as you proceeded into outsourcing roads maintenance in the early 1980s or in the late 1980s or early 1990s? Or was 1996 the first time that any business measures were actually developed in outsourcing roads maintenance?

Ms Rush: Perhaps I can begin and Mr Hennum can continue.

The use of outsourced services prior to 1995 was primarily for specific functions, so we would outsource for piling and spreading; we would outsource for electrical. We would outsource by function, and that was becoming more advantageous for us over time. That level that was actually in place in 1970 was increasing through the 1980s.

1400

Ms Mushinski: So outsourcing had clearly been identified by previous governments as being a preferred option in terms of saving costs?

Ms Rush: Yes, I could presume so.

Ms Mushinski: The auditor has identified a need to develop performance measures for summer and winter maintenance. I wonder if you could comment on that. For example, I know that previous governments had never actually developed performance measures for either winter or summer maintenance, and the auditor did express a concern that no performance measures had

been developed for summer maintenance. Could you comment on his concerns?

Ms Rush: The performance measures are of challenge to all jurisdictions that are trying to get better and better at the performance of their total services. What we are, I think, very good and proficient at is the creation of standards. The creation of standards, if you like, in any sort of hierarchy of how you measure yourself—the standards indicate from the best professional advice developed over time and let you know what level of activity is appropriate for what direct result in how you measure efficiency.

When you come from the very top down, as I mentioned this morning, if you want to look at an overall performance measure, one would look at things like, how do we know what we're doing is efficient? How do we know that we're increasing safety for the people of Ontario? I believe we're getting very, very good at high-level, as I said. In 1995 we were the sixth safest jurisdiction in North America. Three years later, we're the fourth safest jurisdiction in North America. So you can have a very good public measure of how you're doing in total.

The challenge that's being presented is, how do you take a particular set of activities, when you know there are many variables involved, and find performance measures around how you're doing? We're trying to fill in that middle ground. I think we're more successful at this point on winter maintenance, as the Provincial Auditor pointed out. What we're trying to do there, so that people indeed have a sense of what particular performance we should be able to accept, is that by class of highway we will be establishing an average time frame from a winter storm to when we can get to bare pavement. For a class 1 freeway, we intend to establish a performance measure that nine times out of 10 we will be able to be at bare pavement in eight hours. Different standards or different performance measures will be applied to different classes of highway.

Ms Mushinski: Within eight hours of the end of a storm?

Ms Rush: Yes, within eight hours of the end of a storm.

On summer maintenance, it's very difficult to come up with a performance measure. In fact, when the Provincial Auditor made the comment, we ourselves had been struggling with this, and I can tell you we found no road authority in the world that has yet come up with an appropriate performance measure for the kinds of things that happened.

Perhaps I can explain further. There's a continuum of activity that occurs in maintaining a highway and keeping it in a good capital state. There's the beginning parts of maintenance that we're talking about in these contracts, into the preservation maintenance activity, into full preservation maintenance activity, into repaving very small bits, into resurfacing, into rehabilitation. In order to do that, you need to know whether you're effective and you have good performance measures around what

you're doing on that. But that sort of takes the continuum from maintenance right through to capital. On that score, I think we're one of the leaders in the world in terms of the professional engineers who work for the ministry trying to figure out those techniques.

Every year we come up with something called a pavement index. Every bridge and every roadway is inspected annually. It's measured on a number of features, and every part will get something called a pavement index. That pavement index tells us the overall status of that piece of capital equipment, and that is the technological basis from which we build up the capital requirements for rehabilitation only.

So we have pieces of this puzzle. I think we have pieces of this puzzle figured out very well. What we're doing is working on second-generation systems of how we take all that information and turn it into better asset management techniques, so we actually are modelling constantly the performance of the pavement, and when and how we should be making the next investment. I guess the Provincial Auditor did refer to this a bit, but I am talking about a continuum from maintenance right through to capital. We're working very hard to develop these measures.

I think we have very good technical measures. I think we have a very good way of knowing how and when to trigger investment on the capital side. There is a logical relationship between the beginning parts of that spectrum of maintenance, obviously, of sealing cracks and grading shoulders, that both prolongs the life of an asset and makes it rideable and safe. Our difficulty is, how do you take that one piece and find a measure for it outside of all of the activities that have to take place? So we continue to work. If anybody finds one in another jurisdiction, we'll be on the phone as soon as we can. But this is the struggle, how we indeed continue to measure ourselves. We are technically very proficient at that, we have very good high-level measures and we're working very hard to fill in that middle range.

Ms Mushinski: OK. Thank you. There seems to be some confusion around the role of rehabilitation versus maintenance in achieving system condition. It has been alluded to that perhaps with these new changes some of the patrol areas may be too large for proper quality monitoring. I wonder if you could comment on that and advise this committee what your ratio of staff per area is today vis-à-vis what it was before these monitoring systems were established and how the changes have occurred and affected safety, because I think this is the major criterion we're talking about, in terms of the responsibilities of the patrollers. In other words, what are their responsibilities today vis-à-vis what they were, let's say, five years ago, before this system was established?

Ms Rush: I'll ask the assistant deputy minister for operations to reply.

Mr Hennum: The ratio between the numbers of people we have in the field now and the numbers we had before varies quite a bit from region to region. Typically in an area like Chatham where you can get around fairly

easily, we have a lower number than we will have up in the area which was referred to earlier, in Geraldton and the Nipigon area, where the distances are longer. So it varies quite a bit. Typically the area for what we now call a maintenance coordinator is about 300 kilometres per individual that they have to look after it. The important thing here is the changed responsibility that these people have.

Overall, the work that we used to do is still being done out there. Depending on whether there's a managed outsourcing area or a maintenance contract area, the work is done by different people. For example, and it was referred to earlier, in a maintenance contract area, the contractor does the patrolling as opposed to us doing it before the outsources.

In the managed outsourcing areas, we are still doing the patrolling, so to speak. In the area maintenance contracts, some responsibility has changed from patrolling, finding the work, looking after the staff, keeping the detailed records and so on, to a role where we are in fact the auditors, monitors and quality assurance people. We manage the relationship between the contractors and ourselves.

A lot of the previous responsibilities have been taken on, obviously, by the contractors in this area. That's why in a lot of cases we can cover a larger area than we used to have per individual in the past.

Mr Maves: In one of your statements, Deputy, when you were doing your presentation, you said MTO had traditionally outsourced. I'm just curious about that. For how many years has MTO outsourced road maintenance and construction?

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Ms Rush: My understanding is that it started in the early 1970s.

Mr Maves: Did it stop between the years 1985 and 1995?

Ms Rush: No, it did not.

Mr Maves: So we continued to outsource maintenance and construction in those years. Thank you.

Interjection.

Mr Maves: Sarcasm aside, Mr Cleary, one of the other questions I'd like to know is—

Ms Mushinski: I didn't think he was sarcastic at all.

Mr Maves: I didn't know he was awake to even hear me.

One of the other concerns I have is about the 33% increase in capital construction for MTO for roads from 1992 to about 1998-99, yet the PCI index that you talked about has only gone from about 40% to 44%. I'm concerned that it appears there's been an increase in funding over that time of almost 33%, yet the PCI has only gone up from 40% to 44% on roads in good condition.

Ms Rush: If I could explain, that's actually not the PCI, that's the number we used to derive those. The numbers that you're looking at are what we used to call the percentage of roads in good condition. We found that

term singularly unhelpful to us, so we're trying to find a better way to describe it.

The statistics you're quoting tell us what percentage of the road system requires major capital upgrades to it in a five-year period. The theory behind this is that an average highway lasts for 15 years. So if you wanted to have a constant capital program where you kept your stock in very good shape, you would have, at any point in time, 66% of your capital stock in very good condition. Then you know you've got a costed five-year cycle.

We had slipped—and the Provincial Auditor was extremely helpful in one of his earlier reports years ago in indicating that the capital stock was not in very good condition. We had below 40% at one point in time, where we had a huge gap in terms of capital that needed capital infusion in the next five years. I think it was quite visible, frankly, in the province of Ontario at that point.

Since 1995 we have had record levels of investment in capital infrastructure. We have for the past three years had the largest ever spending on highway infrastructure in Ontario, so we have been able to move those numbers forward.

I can take you to a measure we're trying to introduce that we think is more helpful. It's an optimal state of repair number, where it takes that 66% as 100%. With that investment, we've moved from 59% now to 81%. So 81% of the highways in Ontario are close to being in an optimal state of repair. We've made tremendous gains. On the old measure it would have been 54%. We've made tremendous gains that are quite evident. We've used the pavement index and other things to let us know where to invest in terms of highways that don't need more capital infusion in the next five years.

Mr Maves: Ms Mushinski talked about road safety briefly. You're fourth in North America, I heard you say, in whatever measure is used. That's improvement over the past five years?

Ms Rush: It is an improvement. In 1995 we were sixth.

Mr Maves: Also during your comments I believe I heard you say that you are continually reviewing highway maintenance contracts on a regular basis.

Ms Rush: Yes, we certainly look at the contracts. Are you talking about how they're being executed?

Mr Maves: Yes, that and I guess part (b) of that: you're continuously reviewing the economics of your outsourcing activities.

Ms Rush: Yes.

Mr Maves: I believe you said that whether you utilize your methodology of calculating savings or the Provincial Auditor's, either way you are achieving 5% or greater savings?

Ms Rush: Yes, we are.

Mr Maves: My understanding is that your inspection and monitoring of highway maintenance has actually increased because your inspectors have fewer other activities to oversee so they're spending more time actually doing monitoring.

Ms Rush: I think the job functions have changed substantially for both parties. What we have is individuals now within the contracts doing what we've called the regular patrolling, and the patrolling is both a form of inspection and a way to call out when and where a particular maintenance activity has occurred. That activity is still going on, on the same basis that it was before, just by different people in an area maintenance contract.

What we have as well are maintenance coordinators whose job is quality assurance. They're in touch with the contractors all the time. Part of their job as well is to make sure on some regular basis that they are ensuring that the work is being done. They combine that quality assurance and travelling the roads with the data and information they obtain on a regular basis from the contractor to make sure that indeed the contract's being followed and therefore the standards are being met.

Mr Maves: The auditor had some concern about the input of that data. Have you addressed that?

Ms Rush: Yes, we have. The auditor again, coming in so early in this particular program, was very helpful to us in some cases, in particular the costing data. I think it's called the district direct input system, or some such title. Again, we were simply too informal in the way we were collecting information. We hadn't got standardized reports; we have created those and are now getting biweekly, regular updates. We're glad that was pointed out so early in the process, so we're now tracking through the data on a much more formal and regular basis.

Mr Maves: Again, one thing I would like you to take one more shot at before I'm done is a bit of a clarification about measures—the PCI, which the auditor has talked about, and this other measure, optimal state of repair. Could you just clarify one more time?

Ms Rush: Yes. Forgive me. As much as I use my hands, I'm not doing a good enough job of explaining it. I believe in the auditor's report he is using what is called the percentage of road in good condition. That is the percentage that indicates whether the highway needs significant capital investment over the next five-year period. That is the measure that we'd now like to start talking about as an optimal state of repair, because perfect is 66% on that former measure. So if we take that measure to 100%, we would have an optimal state and we'd know how many are within that optimal state. That's where we were at 81%.

The pavement index I talked about is the way we assign a status value to each and every part of the highway system in Ontario to know what state it's in. It can go down for a period of time and still not need capital repair because it hasn't gone to the next category. Those are updated annually.

We have a very good fit. This goes to knowing what we're investing, why we're investing it and making good investments. You can't do that if you don't have a common way of measuring the state of pavement, but you can have indices that can move for a while before they go into a category of needing repair.

Mr Maves: Are these measures generally accepted measures in most North American jurisdictions?

Ms Rush: Yes, they are. The fact is, some of our professional engineers are well known among their peers as some of the best at putting this together.

Mr Maves: Where would we rank on the state of our roads compared to some of the other provinces, especially on the same indexes? Is that possible?

Ms Rush: I can't tell you, other than anecdotally. I believe that our roads now are certainly, from what I hear, in better condition than the Prairies and the Atlantic provinces. I don't know if Carl would know. No, we don't know that.

As I say, one hears at the federal-provincial meetings if there are complaints about the state of their roads, but I think they've not made the investments that we've made over the past few years to bring them up to standard.

The Chair: That's the time period right there, 22 minutes. The auditor had a comment to make, and then I'll turn it over to the opposition.

Mr Peters: I'd just like to make a brief comment on this question of outsourcing. I think it's a broad term. When we compare outsourcing—I think the deputy and I are in full agreement on that—there were specific contracts let all along. The government, in one way or another, and all ministries everywhere have engaged the private sector to do certain things.

What we were auditing and what we are now talking about is that in 1995 the government actually gave a directive to the ministries to reassess the delivery mechanisms of the service. What we were looking at is the delivery mechanisms that were established as a result of that direction. Also, as a result of this direction there were guiding principles then issued by Management Board. This ministry, for example, came back in 1996 and said, "If we follow this direction that you have now given us, that's how we would like to proceed."

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There are three kinds of contracts. There is the managed outsourcing contract—Deputy, feel free to jump in, if you will. The MO, or managed outsourcing, to some extent had been practised before. That was pretty well how you conducted business where you outsourced. The ministry retained a significant degree—in fact, all—of the responsibility for the quality.

With the area maintenance contract, there was a lot more responsibility assumed by the contractor for the performance, and the ministry backed out further.

In the area term contract, the ministry backed out even further on some of the additional work beyond the maintenance, if I interpret this correctly.

So what we are talking about when we are saying "outsourcing" has been practised all along. But there was a dramatic shift in 1995 in the methodology in which outsourcing was carried out, and it was that shift to that new methodology that we were auditing in our report, and that's what we have laid before you.

The Chair: Any comments, Deputy? No? Mr Patten.

Mr Richard Patten (Ottawa Centre): I want to come back to the area maintenance contract as well, and the diagram on page 243 of the auditor's report, because I have not yet seen any resolution of the difference of opinion between the auditor's and the ministry's view of what legitimately constitutes what are savings. At the moment I can only go on—because I haven't seen your books and I'm sure I won't get a chance to see your books in any case, and even if I did, I probably wouldn't understand them.

The auditor says the ministry put things on that list in terms of assessing savings that were doubled-counted or "overestimated its own cost of equipment maintenance, service crews and miscellaneous expenditures." Then I believe there was some comment this morning about considering recapitalization, using that as a full amount in your own column when you assessed the savings when you gave out a contract to someone else.

That's a pretty big spread, 0.3% in terms of the auditor's estimate of savings, and the ministry's, which is 5.2%. Given this dispute, what would you say are the differences in that? Let me ask that, first of all. What are the differences between yourself and the auditor? What do you think the auditor is saying to you that isn't legitimate? What do you think is legitimate and you disagree with the auditor on?

Ms Rush: I think the auditor pointed out in his report that the areas we're discussing are not direct costs. They all relate to the indirect costs, and they are the most difficult part of accounting and the most difficult part of cost methodology. You work back from the direct costs—those are difficult to get, but they're easy to verify. You move back into overhead. At that particular point, the auditor pointed out that we were using overhead data that was out of date, so that's one point of contention. In subsequent contracts we got much more current and put in appropriate overhead data. I should say, though, that that was all the data we had at the time of this contract. So that's one particular area.

The largest single one is the application of the cost-of-financing data, which I think we've discussed before. That is the largest single one.

Mr Patten: Refinancing of estimates of capital?

Ms Rush: I'm sorry?

Mr Patten: The financing of?

Ms Rush: Yes, the financing of capital equipment. If you're going to get out of the business that implies owning and maintaining, depreciating and replenishing capital equipment—if that is now someone else's issue—the question is, how do you account for that as a saving, to what level, under what methodology in your own calculation by business case, because that is now something you're not going to do? I do respect very much the complexity of this discussion.

The next part of that is that these accounts are all across government. They're not all within the Ministry of Transportation and they're not all within the maintenance envelope, because you're trying to track back, as all business case methodologies try to help you identify the

true and pure costs, from administration to overhead to the cost of capital. It was that long and torturous route that we were going down. So that's the second area.

There was another dispute on the cost of maintaining our own equipment. I think we've settled the first and the last quite satisfactorily in our discussion with the auditor, and we have updated our information and we used the best available information going forward. We appreciated his advice.

The cost of financing, I can only repeat: We did believe we were using the right methodology. We did seek out advice. We thought we were asking the right question and we thought we were interpreting the answer correctly. I am personally very pleased that the Ministry of Finance is going to be working on a policy for all of us in government, because this is a very difficult methodological argument to come forward with on each and every project. I think we need to have an understanding, and I absolutely agree it's important. I can say that our desire to proceed is on the basis that this is about, we think, 1.4% of what we're talking about, and that we're over our target of saving. The costs that we're talking about are \$1 million, \$1.2 million, somewhere around there. We believe that we are meeting our commitment to save the 5% irrespective of the methodology used.

Mr Patten: So if I interpret, you feel you've moved closer to a model that's acceptable when you use your comparison, except you disagree on one point—is that correct?—and that's the recapitalization costs.

Mr Peters: We have a tighter acid test on financing costs than was applied in this case.

Mr Patten: So in applying the model that you suggest, you're suggesting that's gone to the finance committee and the finance committee is going to take a look at—

Ms Rush: It's the Ministry of Finance.

Mr Patten: The Ministry of Finance, okay.

Ms Rush: The office of the controller has begun a draft policy. They are taking a very serious look at this.

Mr Patten: If there is a difference in the spread, it would be significant.

Have you moved on extending, by the way, the pilots as of yet, or is that to be determined?

Ms Rush: No, we have extended the pilot for the two-year period, as contemplated in the contract.

Mr Patten: Okay, because this affects, according to this, 20% of the road networks, right?

Ms Rush: Yes, but that ended. What the Provincial Auditor was talking about on that particular circumstance is—if life weren't complicated enough—in the middle of our pilot project for the area maintenance contract, the overall set of decisions surrounding local service realignment and other highway transfers were made. We had obviously not known that at the time we signed the contract. While there was a provision in the contract for some changes, because highways do transfer over time, there was not a provision for the extent of the transfer that took place. So we had a contractual obligation to pay them, as per the contract we signed, up until the

extension point. We're now back, as I think the auditor wished us to be, on the extended period for just the work being performed now with the lower number of highway kilometres.

Mr Patten: I have one question that's on another topic. I can recall sometimes, during the hottest days of the summer, driving from Toronto to Ottawa, where I live, and all of a sudden feeling something wrong with my car. I thought there was something wrong with the steering chassis. So I drove into a gas station and they said, "Well, people are driving in here all the time." What it is are the marks that are made by the trailer trucks, literally imprinting on the road, that causes automobiles to feel like—because their tires would carry through the ruts made by the trailer trucks.

What are you doing in terms of research on that? It seems to me that the biggest threat to feelings of safety, the sense of insecurity, certainly on the 401—more and more people I meet don't want to drive it any more. In terms of costs to our roads because of these monster trucks, are you doing research on that? Do you have new figures? Are there trends coming up? Are there implications for a change in licence fees for some of these operators that are going through, as opposed to rail? We've ignored rail.

1430

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): Raise the question of diesel fuel.

Mr Patten: Whatever it is, yes. No, I'm not talking about diesel fuel. I'm just asking the question clear out in terms of what your finding is in the ministry.

Ms Rush: I should say that the people we assembled here today aren't exactly the people who would answer your question as well as could be, but perhaps Carl, who has long experience in the ministry, can answer for himself and some of his colleagues who are here.

The Chair: I'm sure all of us have driven in those ruts before; somebody's got an answer to it.

Mr Hennum: I'm not sure what time you're referring to—is this recent or in the past?—but we have had, in the past, quite a lot of problems with what you are referring to, the roughing of the highway, the rough-mix asphalt pavements. Yes, we've done considerable research into the causes of this and what can be done to remedy the situation. I was hoping that the pavements we have been putting down on Highway 401 over the last little while would be much more resistant to that sort of thing. In fact, our experience is that we have pretty well been able to deal with the issue by putting more stone into the mix, using a different composition of the pavements and so on; heavy-duty binders and various other techniques that we are putting in place.

We have done a lot of research. We're relying a lot on the North American research community in that respect and we're now putting down pavements that are right up there with the best of them, I would suggest to you. It is a concern to us because it can have problems, as you pointed out.

Mr Cleary: Deputy, we've heard a lot about technology and all the great things that the province is doing. I'd just like to know about the future of 138, which connects the International Bridge in Cornwall to the 417. The school bus drivers there are complaining bitterly. They're supposed to run a safe vehicle and transport the children safely, and that road is so bad that it just about shakes the wheels off their buses. I would like your comments.

The Chair: It's number 138 and it runs directly north of Cornwall. You have to find it on a map, do you? We know where it is, in eastern Ontario.

Ms Rush: Carl knows where everything is.

Mr Cleary: Very heavily travelled.

Ms Rush: We can get back to you on that.

Mr Cleary: You'll get back to me?

Ms Rush: Yes.

Mr Cleary: So you don't know whether there's anything in the plans for that now? I told them you were coming here today and I'm going to be meeting with them on Friday.

Ms Rush: Well, I'm afraid we're here to talk about the auditor's report on maintenance outsourcing, but I'm sure someone can get you the information you want before your meeting on Friday.

Mr Cleary: The auditor and I had talked about some of the roads that were not up to the standards.

The other thing I want to mention to you is that in our area we've had a bunch of provincial highways downloaded on to the local municipalities, and I would just like to read you the comments of a mayor in one of the municipalities I represent. He says, "If funding totally out of the local municipal rates for our roads and bridges, we would have to increase our taxes between \$1,800, from the low, to \$300,000 for the industrial and commercial on the high rate." I'd just like your comments on that and about how municipalities are being downloaded on.

Ms Rush: I have no comment on that, sir.

Mr Cleary: No comment on that. OK.

The other thing I'm going to ask you about then are the employees who have worked for the provincial government and private enterprise took over. These employees want to know about their termination pay. They've been having a hard time, and this goes back to 1998, 24 of them.

Ms Rush: Again, if you could provide me with specific information, we'll try to get you a reply.

Mr Cleary: I can send you a package on everything. Thank you.

Mr Gravelle: Dealing again with the cost, clearly there's a very strong disagreement about the way the costs have been calculated in terms of what the auditor says and what you say. It just makes me wonder: There's obviously a real possibility, which you might not accept, that this is going to cost a lot more than if it were actually being done by the public service. This brings in the question of why you didn't wait until the pilot project was completed to do an evaluation?

You made reference earlier this morning to the fact that the British Columbia model had helped you. One of

the things you surely would have learned from the British Columbia model was that it made sense to complete the pilot project and evaluate it. Why didn't you look at even going on a 50-50 basis? "We think this will save money," is what you would say, obviously, and is what you're submitting, but we recognize there are some risks involved. Rather than try and rush this through, as you've clearly done, why didn't you go to: "We're going to do half the province or part of the province. We'll look at it and do it"? That I think is what probably befuddles a lot of people.

The safety aspect ultimately is the number one concern that we all have, but I need to ask that question: Why wouldn't you look at that? That would seem to be a responsible, sensible thing to do. You're going to an extraordinarily dramatic, different delivery method instead of calculating as you go along and evaluating. It's going to be hard to go back. If you could respond to that, I'd be curious.

Ms Rush: Thank you. I have a number of responses to that. I think many would disagree with the assertion that we went very quickly. In fact, many have accused us of going very slowly on this particular project. It's at five years. We started this in 1995 and we'll be finishing it in the year 2000, so this is a five-year program.

Mr Gravelle: But we have such strong disagreements, Deputy, in terms of whether there are indeed savings, let alone the concerns about highway safety.

Ms Rush: I would indicate that there may be a difference of opinion on the methodology of one cost element whose value is around \$1.1 or \$1.2 million on an activity worth just under \$200 million.

Mr Gravelle: Your savings are estimates. They're not real savings; they're estimates.

Ms Rush: I believe that we have lump sum fixed contracts. We know what our costs are and we knew what our imputed costs were to do it. So I think we have prima facie evidence of the savings as we go forward with each and every contract. We know what our estimate of our costs were going to be. We have been in the estimating business for a long time as a ministry. We had to use all kinds of new techniques, and I recognize that this is right at the margin. There is some dispute about the methodology we used, but for the bulk of it we know what it would cost us to do the work. We have that internal information and we know what the bid prices were, and they are for a fixed sum.

What can I say in answer to your question? We looked at the pilot experience. The fact is, we had some years where we were looking only at that as we were waiting for other matters to be clarified. We thoroughly looked at other jurisdictions and what they'd done, which I think is the same kind of evaluation and due diligence you would expect. We found it was working. We found it was working very well, and we found that where it wasn't working, we had clear evidence—by that I mean where we did an award—that we had a way of going back into the marketplace. I think we proceeded prudently and we proceeded at a reasonable pace. I don't think five years is

exceptional. That's what we learned from other jurisdictions. I think they moved quite quickly. We learned from them; we learned from our early experience.

Having declared an intent through a business case that we were going to do this, I think it was important for both the interest we created in competition, and for our own employees to have some certainty over their future, to start to proceed in a planned and logical manner how we were going to do that. If we did not see bids coming in that were advantageous, we did not accept them. We started to see, from the time the auditor was looking at the early contracts to now, greater and greater competition. We've seen more companies come to the fore. We had an average of six bids per AMC, six bidders, which is I think very good. We've had nine companies that have won. I think we are creating a competitive market.

1440

Mr Gravelle: Even if you accept your methodology, though, you're talking about one-time savings in a lot of cases. In terms of the equipment—say, the financing related to the equipment—you're talking about one-time savings. You take it out of the mix. There are so many other issues, we're never going to have enough time to discuss all of this.

I don't want to be centred simply around the costs, although your whole argument or basis for doing this is cost savings.

When you're in the midst of a pilot project or beginning other ones, it's certainly confusing to the average citizen. I think it's probably pretty confusing to all of us, and I suspect that it's confusing to your ministry staff too. It just seems to me it would have been a far more reasonable thing to look at it and say, "We think we want to go this way." It's certainly the right of a government to make those kinds of decisions, to change how they do things. But to not be responsible enough to at least go through a process to validate whether or not it made any sense to leave the option of returning to it—the question that I have now is, if it is determined that ultimately it costs more money, much like the British Columbia model, will you go back? And if so, how will you do it? If that ends up being the case, will you go back to the way it was done before, and how will you do that?

Ms Rush: We were looking very seriously at the pilot cases. I think in the experience in Chatham, which was the first pilot, we saw exceptional quality in the level of service they were giving at a fixed cost. You said we had one-time savings. We also had one-time costs which won't repeat. I think we're seeing a very successful activity by using the innovation and creativity of the private sector. We hope they will look at all the innovative techniques and start proposing improvements to how we do maintenance. We're very optimistic about the future. We believe we have created market conditions out there where we have adequate competition in the future, and we look forward to very positive results from the next round of bids.

Mr Gravelle: Then I think we need to look at the safety issue, literally at the same moment. When you get

beyond the cost discussion or the cost argument or whatever it is, then you get into the safety issue. It just seems to me that it's very important to actually look at the video that I brought in. There are substantial differences in the quality of maintenance on this particular stretch.

There are obviously the concerns about the longer patrol areas, and there is clearly all across this province, whether it's Ottawa—I know it's an issue with Councillor Munter in Ottawa and it has been an issue with many people in terms of the fact that you've got a number of people who four or five years ago didn't feel that the quality of maintenance was in decline. There's a recognition about the problems that are out there with winter conditions. We all know that. But when you've got the Northwestern Ontario Municipal Association, when you've got communities that are so terrified, when you have this increase of fatalities, it certainly opens up the possibility that the change in the way you're doing this is having an impact potentially. That is why I put the motion forward that I hope to get support for. That strikes me as something where you say you're just as committed to it, but can you recognize the possibility that some of these changes are having an impact in terms of safety on the roads?

Ms Rush: Safety is our first priority. I don't think you'd find a more committed group of people than the men and women in the Ministry of Transportation being concerned about safety.

Mr Gravelle: I don't argue about what you're saying. What I'm saying is that there obviously have been some changes in the delivery. There is a very different process at play now that wasn't there before we went into this process. If the possibility exists that some of this process and some of the changes and transitions, the fact that the patrols are longer, the fact that the ministry is administering in a different way—if the possibility exists that it's having an impact on the maintenance, if it means it is taking longer, for example, for a patroller to get back to call in the contract, if that's happening, and we believe it's happening—

Ms Rush: They call by radio from the cars. But perhaps I could ask the regional directors from the north to come. Going back to your question on patrol times, I think they have some answers to the questions you raised before, if we may, Mr Chair.

The Chair: OK. We'll get that the next time around. Perhaps this gentleman can answer the question and then we will go around again. Could you just answer the last question, sir, and could you identify yourself as well for Hansard.

Mr Osmo Ramakko: Good afternoon. Thank you very much for the question. My name is Osmo Ramakko. I'm the regional director for the Ministry of Transportation's northern region, which encompasses much of the lands in northeastern Ontario.

All Ontarians, including MTO staff, are deeply saddened, I can assure you, and quite concerned by each and every fatality that has occurred on a provincial highway

this year and indeed in all years. As you've heard our minister say on a number of occasions, road safety is the ministry's number one priority.

Accordingly, MTO will continue to place the highest priority on enhancing road safety, and this applies to each of our areas of responsibility, including winter highway maintenance. I know that some have suggested that fatal collisions are unusually high this winter in northern Ontario, or that these fatal collisions can be linked to the ministry's outsourcing of highway maintenance. Those are myths that I would like to dispel today, because they really have no basis in fact.

Our collision statistics tell us that, on a provincial basis, the total number of fatal collisions has fallen significantly over the past 10 years, by nearly half. In northern Ontario, there has also been a decline in fatal collisions. For example, in the late 1980s we experienced as many as 120 fatal collisions in a single year. In recent years, the total has been in the 70s, which clearly demonstrates a downward trend, and to help illustrate that I'd like to show you a graph.

Mr Lambert: I'm Larry Lambert. I was previously introduced.

This is a graph of the fatal collisions across northern Ontario for the past 15 years. As Mr Ramakko indicated, in the late 1980s we had serious levels of fatalities, and there's a maximum here of 120 fatalities. In more recent years, at this point, the numbers are somewhere in the 70s. The point he made is that over that period of time there was a downward trend—not a strong downward trend, but a real downward trend over that period of time. The demarcation that was made earlier in the day in terms of 1995 being a fundamental period in terms of a change in that trend is not correct. Of late, this trend has not moved upwards.

Mr Ramakko: The majority of fatal collisions in northern Ontario occur during the summer months, and they have been declining over the past 15 years. The total number of winter-month fatal collisions over the last 15 years has been essentially flat-lined; however, since 1993 there has been a general downward trend in winter fatal collisions as well. Our statistics also tell us that there is no relationship between fatal collisions and the outsourcing of winter highway maintenance. In fact, we found that thus far this winter, those areas of northern Ontario that have been outsourced have not experienced an increase in fatal collisions in comparison to those areas still serviced by MTO staff. And we have another graph to help illustrate this.

Mr Lambert: Again, this is all of northern Ontario. This is the current winter, which is not yet complete. But for the current winter at this point, the bars on this side represent the fatal collisions and the fatalities on 5,000 kilometres of area that is under outsourcing of one type or another, either under the MOs or AMCs that were described. Over on the other side we have the area which is some 1,300 kilometres of conventional MTO operation to this point this winter. Clearly, the observation is that the area which is under outsourcing is not experiencing a worse year this year.

The Chair: OK. Your time is up. I let it go an extra five minutes because we wanted to get all this information here, and we'll now turn to Ms Martel.

Ms Martel: Actually, I'd like to ask which highways in northern Ontario are still under MTO highway maintenance.

Mr Ramakko: In the northern region, the north area—

Ms Martel: When you take the northeast.

Mr Ramakko: In northeastern Ontario, the North Bay area is still being serviced entirely by ministry staff, although recently an AMC was awarded for all of that area, and that will become effective on April 1, 2000.

Ms Martel: Before you go further, what's the number of kilometres that were being looked after by MTO staff in that case?

Mr Ramakko: I don't have that information with me, but I can provide that.

Ms Martel: That would be helpful. Are there any other areas in the northeast where MTO staff are still looking after highway maintenance?

Mr Ramakko: Yes. Currently our Huntsville district is entirely serviced by MTO staff as well. Parts of Huntsville district aren't technically in northeastern Ontario, but they are in northern region.

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Ms Martel: Just so I'm clear, when you say they're being looked after by MTO staff, MTO staff are doing all the work? They're doing the patrol work, the sanding, the grading and any contract work that has to be done with respect to sealing cracks etc?

Mr Ramakko: Virtually, but not quite. In those areas that I described, there are some contractors hired to do some of the work. We do hire contract equipment to do some of the plowing, some of the salting and some of sanding.

Ms Martel: Could you give us a balance of the percentage between what's being done by MTO staff and private contractors?

Mr Ramakko: No, I don't have that with me today.

Ms Martel: If you could give us that, I think that would be helpful. Can you answer questions on the northwest or should Mr Lambert come forward?

Larry, in the northwest district, then, however you define it, can you tell us which highways are still being maintained directly by MTO staff? Again, I'd like the same information. Is there a percentage even in those areas where MTO is doing the work and a percentage where private contractors are doing some of the work as well?

Mr Lambert: Yes. It's an easier system in the northwest. The northwest is Elliot Lake to Manitoba. In that area, the one area where the ministry is still under what we call conventional MTO operation is the Thunder Bay vicinity. There are approximately 900 kilometres of road centred northeast and west of Thunder Bay. I'm sorry, the number is 1,100, not 900. So there are 1,100 kilometres of that. The entire rest of the northwest is under the MO, the managed outsource mechanism. That's about 5,000 kilometres.

Ms Martel: Within the 1,100 kilometres still in and around Thunder Bay, that's entirely, 100%, MTO work?

Mr Lambert: In the 5,000 kilometres of managed outsource—I'm sorry—

Ms Martel: No, sorry. In the 1,100 kilometres in and around Thunder Bay, which you said was still under conventional MTO, is there any percentage there of work being done by private contractors, or is all of that work being strictly done by MTO employees?

Mr Lambert: Well, 100% of patrolling is done by MTO employees. Approximately 20% to 25% of the pieces of equipment are MTO; the rest are contractor.

Ms Martel: When you say "patrolling," I'm going to assume that's going up and down the highway looking for problems. But the actual grading, sanding and plowing is being done by whom?

Mr Lambert: The plow trucks and the spreader trucks are about 20% to 25% MTO, staffed by MTO employees at this point. The rest of them are contractor vehicles staffed by contractor staff.

Ms Martel: So it would be fair to say in both cases in both regions that even in the area that you would define as conventional MTO, fairly significant portions of that, if I listened to you correctly, are actually being done by the private sector.

Mr Lambert: Private sector contractors and private sector equipment are a large component of that piece we call conventional MTO, as has been the case beginning in the 1970s somewhere. By 1995, approximately 60% of the vehicles and the staff were of that nature, yes. Now it's over 80% in those areas.

Ms Martel: Another concern that was raised by the auditor had to do with the data that you compile looking at maintenance. The auditor has called this the ministry's district direct input system. It'll be a listing of all of the details, including hours worked by employees, the amount of sand, salt and material used—important indicators about maintenance.

The concern that he raised was that there were no procedures in place requiring the ministry staff to verify the accuracy of the data that was now being inputted by contractors versus MTO staff. Can you tell the committee what action has been taken to resolve that situation. Can you describe to us how that information is being verified once it's inputted by contractors.

Ms Rush: The ministry absolutely agreed with this recommendation. The importance of having accurate and reliable information was critical to us and our success. We were collecting it very informally at the time that the Provincial Auditor came in, so we responded quite quickly to his recommendations. We now have a formalized process. It does include periodic reviews. We monitor and verify the computer output by contractors on a bi-weekly basis. We've also instituted a program of formal audit, and one has already been completed, but we will be doing formal audits. So we appreciated this recommendation and moved on it very quickly.

Ms Martel: Can I clarify what you mean by a "periodic review"? Is that in an individual MO, for

example, one of your own staff going out and watching one day what one of the contractors is doing with respect to volumes? Is that what you mean by a review?

Ms Rush: This is relating to area maintenance contracts, and Carl can answer.

Mr Hennum: In the area maintenance contract is where we expect the contractor to input the data.

Ms Martel: The only place it would apply.

Mr Hennum: We go in and we check his data and we check what he's doing in the field and we make sure that the information is accurate and correct. That's done by our maintenance coordinators.

In the MO area, of course that's where we are still in charge of the business directly, and that's where we provide our own input to our information systems. We have our traditional methods for verifying the information that goes in.

Ms Martel: You said that you have done one formal audit already. Was that of an individual contractor? Was it in a particular area?

Ms Rush: One AMC, I believe.

Ms Martel: Can you tell us what the results of that were?

Ms Rush: We found no serious problems.

Ms Martel: Let me then ask about the pilot project, just to be sure that I heard correctly. The 1996 pilot project that was due to end in April, you have now confirmed with the committee that that contract has been extended for another two-year period?

Ms Rush: Yes. The tender for that was a three-year with a possibility of a two-year extension.

Ms Martel: The two-year extension was done with the mutual consent of the ministry and the contractor?

Ms Rush: As per the terms of the contract, yes.

Ms Martel: I want to be clear about what evaluation was done by the ministry at the end of what I will call phase 1, before a determination was made by the ministry to extend the contract for another two years. What was the nature of your evaluation of the first three years of that contract? What did you look at?

Ms Rush: First we looked at the quality of the service they were providing. In compliment to them and credit to them, I think they knew they were the pilot and performed an excellent quality of service, keeping up to the ministry standards. Carl, specifically can you add some more to the evaluation pieces?

Mr Hennum: The evaluation or the reason for extending the contract, the decision was made on the basis of the absence of any problems that we had with the contractor. He'd performed the work to standard. We had no significant problems with him, and in fact, as the deputy minister just said, he had in many cases exceeded the standards that we were requiring in the contract. We only had good experience with that contractor in that area. We had no reason not to proceed with an extension of the contract.

Ms Martel: What I was more interested in was what the levels of savings achieved over the three years were and how that was evaluated and if it was evaluated.

Mr Hennum: I would emphasize what was said earlier. When we enter into a maintenance contract, it's on the basis of a lump sum, fixed price for the contract period, so we know when we go in what we're going to pay for the contract. What is signed off on the contract is basically the price we're paying for the work out there.

There are certain things that we did take out of the lump price because they're unpredictable. In those cases, of course, we pay on a work order basis. We determine what is required or the contractor comes to us and says, "These things are required." In each case, we approve of that work or disapprove, whatever the case may be, and it gets paid at a pre-set rate that is part of the original contract for that work.

Ms Rush: Those exceptional costs would have occurred had we maintained the highway, though, as well, so they equal out in terms of any evaluation.

Mr Hennum: As an example, there are the crash attenuated barrels and devices that we have on the highway. It's almost impossible to predict how many times these things are going to get hit, for example, and we know that they get hit on a frequent basis. We took those things out of the contract and we told the contractor: "We will pay you at a pre-set price. Tell us what you bid on that particular item and that's the basis on which we will pay you throughout the contract term."

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Ms Martel: Just so that I'm clear, the reason I'm getting at the savings is because this contract is the same contract that the auditor had questioned with respect to savings. The difference of opinion was in the order of \$900,000. Is this the same contract?

Ms Rush: Yes, but it was the documentation that was at issue.

Ms Martel: Right. You're going to undertake to see what you can provide us with so that we can all feel more comfortable that the savings were real. What concerns me is that certainly the auditor felt very strongly that there had been no documentation to substantiate those savings. The contract has now been extended for another two years with the same contractor, and I wonder if we're not in the same boat, that ongoing savings can't be substantiated either.

Ms Rush: What was available to the auditor, as was indicated, were the summary tables and the sheet. What we had been unable to produce were the worksheets that got us to those calculations. They knew the source material. We're talking about a documentation problem, but the calculations were indeed put together on a methodology that the Provincial Auditor understands. That was a particular circumstance relating to both some massive personnel changes and some moving changes that we can no longer produce that document. But we know that the ministry estimate we had for that work being carried out and the price that we got in the bid have de facto given us those savings.

Ms Martel: You've paid a lump sum and you've agreed to pay a lump sum payment now to this contractor for the next two years?

Ms Rush: The contract has been extended for two years as per the terms of the original contract. That was always contemplated, three years with a two-year extension.

Ms Martel: Was there a change in price? We've gone from three years to two, so I assume there would be.

Ms Rush: There was the primary change in price because the highways that were transferred to the municipalities in that period of time were substantial. That was pulled out, so obviously we would not continue to pay an unnecessary penalty. The price is substantially less because of that.

Ms Martel: I wonder if I can make this request. I'm not sure what information or what kind of paper or documentation you have around the awarding—if that's the right word to use—of the second contract, but I wonder if you would mind submitting that to the auditor so he can have a look at what the terms and conditions and details are of the second year of the two-year extension for the pilot project.

Ms Rush: We're directed by the committee.

Ms Martel: Mr Chair, if I might make a recommendation then that whatever documentation you have with respect to the two-year extension—data, information—if the auditor could have a look at that, I think that would be helpful for the committee.

The Chair: It's my understanding that if we want that done, we need a motion later on when we discuss it.

Ms Martel: I've asked for a number of other bits of information, and we've not needed a motion. Why do I have to have a motion now for this? Is it because I'm requesting that you take a look at it? Is that why?

Mr Peters: That's right. Under section 17, I can accept assignments only on the motion of the committee.

Ms Martel: Then I'll first ask if it can be provided to this committee. If that doesn't happen, then I will look to moving a motion in the future to do that.

Going back to safety, some of the concerns that the auditor heard directly from ministry staff about patrol areas—this is something that Mr Gravelle has been talking about, but I want to follow up further on it.

Clearly, the auditor in his report said the following, "The maintenance contractors in the districts we visited stated that the areas patrolled were too large and there were insufficient staff to adequately monitor the work of the contractors." I'm assuming he got that directly from discussions he had with people who were in the field and who were doing this.

I want to ask you about your response, which was, "The ministry believes that staffing levels are appropriate to protect the ministry and the public."

It seems to me that the auditor probably talked to people on the ground who were delivering the service, talked about serious concerns they had with respect to patrol areas being too large, the ministry would want to address that. I didn't feel that the response you gave attempted to address that concern at all.

Ms Rush: I go back to the definitional question of what we're talking about: patrol area, the quality assur-

ance area. At the time that the Provincial Auditor was discussing this, the whole change was very new to the ministry. A number of individuals were given new responsibilities—I think again it goes back to the passion they have for the work—and were expressing concerns about the size of the areas for which they were now responsible. At that point, their jobs were different and their jobs were new. The patrolling jobs they had done on a lesser area were now being done in the area maintenance contract itself. So the staffing and the standards for patrols that some of these people used to do was now being done inside the contract, and those have not changed.

I respect their concerns, but when they were trained and I think realized their job was not direct patrolling but one of quality assurance and oversight—so this isn't doing the job that we just hired someone to do; this is a quality assurance job, that you have appropriate, periodic ability to assure yourself that the work is taking place. It is legitimate to have a larger area than an actual direct patrol. So these people are not doing the patrolling as it was done in the past. The people are maintenance coordinators, and they are now doing quality assurance. I believe the Provincial Auditor talked to them and they expressed concerns. I believe their concerns were more reflective of the work they used to do in the direct patrol. We certainly hope, with the training they've got on their new responsibilities, that they are more comfortable. We're certainly comfortable that the quality assurance territories are appropriate in size.

Ms Martel: Can you define for me—maybe this is the problem I'm having—what you think is the difference between quality assurance work and direct patrol?

Ms Rush: The direct patrols are the individuals who are out there driving the highways on regular, fixed intervals in winter, looking at the actual condition of the highway. They're patrolling for problems; they're patrolling for debris; they're actually physically out there triggering specific maintenance activities. Those people are now in place inside the area maintenance contract. So patrolling is still taking place.

In a managed outsourcing, the patrolling activity is still being placed by the ministry. The people—

Ms Martel: Can I interrupt you there? In fact, those MTO staff wouldn't be at MTO any more.

Ms Rush: Not in an area maintenance contract. In a managed outsourcing, they are. Those are the two forms we have.

What we kept for quality, for public safety, for our assurance that standards were being met, we created ministry positions in areas where we have area maintenance contracts called maintenance coordinators. Their job is to make sure—they're the oversight function. They're the quality assurance function; they're to make sure that the contractors are indeed doing the job that we have hired them to do. So they're not doing patrolling in the traditional use of that term for us; they're doing quality assurance. If you're doing quality assurance, you have a very different role than the individuals doing patrolling.

I should also point out that again this went to experiences in other jurisdictions. They did the same thing. When they went out on an area maintenance contract, they had the same notion of putting the patrol inside the contract so that the private sector contractor was doing the patrolling. They went to much higher areas for their quality assurance. We went lower. They went to 400 to 420, 500; we're around 300 and up in some cases. So we actually put in some cushion. We have smaller quality assurance territories than do the other jurisdictions in Canada.

Ms Martel: For your MOs? What's happening there, because if your own staff—

Ms Rush: MOs are back to the traditional patrolling function, so they have the traditional patrolling routes that we have always had.

Ms Martel: OK. Just so I'm clear—this is a question for the auditor. The people you spoke with were people dealing only with AMCs, or was it also people who were doing patrol functions and MOs?

Mr Peters: It was the pilot AMC.

Ms Martel: OK. So you have not heard anything from your own staff who are doing patrolling and MOs that the number of kilometres they have would be too large for them to handle?

Ms Rush: We continually look at the workload, so we're adjusting them. I wouldn't say that we haven't figured, but we look in terms of staff feedback. As I think someone mentioned earlier, because the geography of Ontario is so different, the ability to patrol areas is not constant, but they are set to be reasonable. They're set so that the staff can indeed do the work, and in winter, seasonal employees are hired to make sure that we've got backup and extra staff.

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Ms Martel: Can you tell me in how many cases penalties have been levied?

Ms Rush: Yes, I can: 16. We have had 16 occurrences in which we have issued what we call demerit points, and demerit points lead to a financial penalty.

Ms Martel: It's a financial penalty?

Ms Rush: Yes, at the beginning part.

Ms Martel: The 16 occurrences span over what length of time?

Ms Rush: If you can give me a minute. It's since the start of the program, so since 1995.

Ms Martel: Since the start of the pilot?

Ms Rush: There are nine occurrences with 16 points. If you give us a moment, we'll get to the right place. We'll just see if we have that. Could we get you that information? I thought we had it with us, but we don't.

Ms Martel: Sure. That would be helpful. The one other issue the auditor raised in that area had to do with detailed records of monitoring and a concern that this was not being done. Can you tell us what reporting mechanism standards you put in place so that all of that information is now being gathered and monitored?

Ms Rush: Yes. Indeed, it was another helpful suggestion by the Provincial Auditor. We were just entering

ourselves into this new system. We were I think too informal, again, in our record-keeping. We have introduced revised standard diaries now that all of our employees must use. We have a work order record system. All of the staff have been trained, and we have a revised process that ensures not only that the records are kept and maintained but that they're consistent now across the province.

Ms Martel: Are they filed in some kind of provincial—I don't want to use the word "provincial"—ministry-wide database or is it done region by region?

Ms Rush: I think they're collected in the regions, but they're consistent. So if we found a particular purpose, there's a consistent format and process now. I believe, as we go in, we will have a database to evaluate things if we wish to from across the province.

Ms Martel: Can you explain to me how your database works for contractors? Another concern that was raised was that, district by district, you wouldn't know if you had had a good experience with a particular contractor or not, and there was an indication you were going to move to some kind of province-wide database to monitor that as well.

Ms Rush: Yes. I think that's an overall performance appraisal system. For years in the ministry we have had some form or other, and I think we're getting more and more sophisticated, for consulting engineers and for contractors, in using systems so that we have a way of knowing overall the performance of certain contractors. If a contractor, for example, has had a serious difficulty on a contract with us, they have what they call a rating which will indicate the level at which we think they have shown a capability to do work for the ministry. That level sets the extent to which they can bid the next year, and they can be quite severe penalties or a severe diminishment or it can be quite minor, depending on that. We used to just exchange information internally in staff memos about particular maintenance contractors. We're now going to adopt a formal central registry and we will be developing an appraisal system, as we have with the rest of our major outsource part on the capital side, so that we will have the best information we can on each one of the contractors.

Mr Gravelle: I certainly appreciated the statistics and the graphs that were brought up by the ministry officials. I would hope, though, that those statistics, such as they are, are not going to be the basis on which you would say there's no reason for concern about whether or not the impact of the changes to the delivery and the changes to maintenance of our provincial highways would—that basically we should stop worrying about it because of the statistics that have been brought up. Statistics are interesting. Obviously, back in the 1970s and 1980s too we had the factors of people not wearing seatbelts, and the way people are wearing seatbelts now, so it would be interesting to see just the number of accidents and injuries as well.

But my real point is that, ultimately speaking, every tragedy, every accident, every fatality that happens on

our provincial highways we obviously need to take seriously, and I know you do as well. If there is any possibility that in some of these there may have been a factor involved as a result of some of the maintenance being done in a different way, we need to explore that, which is why we're here today. We're discussing some of the auditor's concerns related to the costs, something we had a great deal of discussion and disagreement about. I think that's worth exploring. But also there were some concerns related to the lengthening of the patrols and safety potentially being compromised.

I must admit I think of an accident that happened just over Christmas in Latchford, which I believe is under a full AMC, a full area maintenance contract, which does mean it's being done—and I know there was concern expressed at the time by OPP officers on the scene, there was concern expressed at the time by area municipal politicians and many other people involved that indeed the sanders weren't out there in time. There were some other actual things said that I probably shouldn't talk about publicly about what may or may not have been happening to build up the ruts on the roads. These are issues that we don't want to be speculating about, but again I think they're reason enough for us to be exploring whether there is as a result of the fact that we've gone to the full privatization in terms of area maintenance contracts, as a result of the fact that the quality assurance you described does not mean day-to-day operation—in fact, I think the ministry official in that region was quoted as saying they weren't monitoring at the time because it was an AMC, so they weren't there to see whether or not it was being done in an appropriate fashion.

I certainly would argue it's our responsibility as elected officials, and obviously yours as members of the public service, to make sure there is no possibility that any of these accidents are taking place because of changed circumstances in terms of the delivery of your service. I appreciate that very much, but I think we've got to continue to look at that, which is why I think we need to have some kind of independent look at it. We have the ministry today telling us that you feel one way in a financial sense. The auditor feels otherwise about some of the ways you're calculating savings. I think we need to look at that again.

I do want to ask you some other questions related to this blended approach. I don't quite get it. Does it mean, and I think it does, that you've got some sections that are all area maintenance contracts—in other words, they are absolutely privately contracted and you have people who are going to look to make sure it's being done—and then you have some sections that are managed outsourcing, which means you have ministry patrols? Is that what it means?

Ms Rush: Yes, it does.

Mr Gravelle: I'm still confused as to how you can go from a tender for a contract for an AMC going out in Thunder Bay and coming back at four and a half times the cost that the ministry would pay to do it, what the tax-

payers would pay the ministry workers to do it, come back four and a half times the cost of tender, and yet somehow by going to a blended approach you presumably eliminated that factor of four and a half times, that in fact it's less. Is that what you're trying to tell us, that this blended approach in Thunder Bay or the Thunder Bay district or whatever has eliminated that four and a half times factor? That's a huge difference.

Ms Rush: That is not consistent with the information I have. I don't know where that came from. The bids were too high—

Mr Gravelle: It was publicly—

Ms Rush: I don't know how it occurred, but that's not the information I believe is correct in that circumstance. The bids were too high, but they were not too high by that factor.

On the point you're asking, the blended approach evolved from an earlier notion back in 1995 that we might experiment with both versions, both notions of how to outsource maintenance, whether you'd go the area maintenance contract or whether you'd go the managed outsource. Before we had done either, as you've seen in the charts in the auditor's report, we estimated risks and savings on each one. We then started to put them out in 1995.

From our experience, looking at what we had done in 1995 and looking at other jurisdictions, it became very clear to us that we had a one-size-fits-nobody province. We had configurations where we believed that by learning from what happened in the pilot area, by continuing our research, that we had parts of this province, by their geography and by their market conditions, that were going to do extremely well under the AMC notion. We also had other parts of the province that, by their nature and their geography and their local conditions, were probably going to give us a better price and a better configuration, all maintaining the same safety standards, as managed outsourcing.

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So what we evolved in this revised blended approach said, don't pick all of one where they'll work very well in some areas and perhaps less well in others, or don't pick all of the others where you'll not achieve as many savings; let's use a little bit of both. We started to learn by putting the packages together, and we've got some extraordinary cost savings. We have always maintained the strict adherence to standards in these contracts.

So what the blended approach said is that we'll look at the marketplace. Some AMCs have gone out. They've gone out very smoothly. They've gone out one time, a tremendous number of bidders; others have come back few bidders, no price. Well, two things have happened: Either we put the wrong formula in there and maybe they should have been managed outsource or the industry simply wasn't competitive enough in terms of what we were asking for. So you've seen us adjust in your own area around what we were going to do. Sometimes we've put it out again to see. But we weren't going to move until we were assured that we had the right configuration,

that we had qualified contractors, that we had our safety standards assured, and that we had savings for the taxpayers.

We're very happy with the blended approach. I think it allows us far more to tailor the best circumstances for each area of the province. Equally, I think it has created a situation where you have more and more private companies in this business, so we have more potential for long-term competition, and it also provides us the flexibility in the future. If we see market condition shifts we can move backwards and forwards from one to the other, maybe changing the geographic elements, maybe going a little bit here, a little bit there. So it was really not trying to pick one form that was going to work for everybody that led us to the blended approach.

Mr Gravelle: Could you provide us with those savings? I think it's been asked before. I believe Ms Martel asked about it. This is what I guess makes us all question so much about this process. If that's the case, if that's what you believe and you can prove, then would you be willing to provide us with those figures?

For example, it would be very interesting, all across the province, obviously, but certainly in my particular area where we know that the tender went out for the AMC and it came back, we understand, four and a half times more expensive.

Ms Rush: No, it wasn't.

Mr Gravelle: Certainly it was publicly stated by one of your ministry officials that it was more expensive and therefore wasn't a go—a lot more expensive anyway. I think that was indicated.

Now that you've got it down to what you consider to be the right approach, the blended approach, why would you be so reluctant to provide us with the figures that prove that indeed it's saving money?

Ms Rush: As I said, some of this information is confidential. It is commercial intelligence information.

Mr Gravelle: We don't need to know who's doing what.

Ms Rush: Well, it gets reasonably clear to figure out where they are by some of the characteristics. As I said, I will endeavour to provide what I can appropriately, but we are dealing with contractual information here and it makes it very difficult. It would be very foolish for us to be publishing the ministry's estimate price when we're looking for bids.

Mr Gravelle: But you can appreciate our scepticism, perhaps, if on the one hand you say we've learned it would have cost more to do it this way and now, with this other approach, you say it's going to save money, at least 5%, I presume you would be telling us.

Ms Rush: Yes, it is. Again, what we have is a time difference between what was looked at very thoroughly by the auditor and the experience we've had today.

Mr Gravelle: Let me get back to the safety issue again. I trust you will be looking at the video I provided, which is really very, very interesting because you see the clear distinctions. Can you explain that, why there would be such different variations in very short periods of time?

This morning I think some of the members were a little confused. I wasn't at all talking about changes from riding to riding. I was talking about changes in the maintenance quality in very short periods of time. You'd cross over a bridge, probably into a different area, and the maintenance was very different. This is what Mayor Krause from Schreiber had written the minister about, and certainly this is what was videotaped from Atikokan to Thunder Bay. Can you explain how that could happen?

Ms Rush: Yes, we can. It really has to do with patrol routes and stop-start points, and Carl Hennum can provide some further explanation.

Mr Hennum: I assume the particular situation is up on Highway 11 just west of 17.

Mr Gravelle: That's right.

Mr Hennum: We have a patrol yard at Shabaqua, which is right at the corner there, and that patrol serves Highway 17 as well as Highway 11, up to the point which you're referring to, where the conditions change. We also have a patrol yard at Atikokan and that patrol yard serves west of Atikokan as well as east of Atikokan, up to the same point on Highway 11. It depends on when this individual came there and took the picture but in a normal, average winter week, it depends on the two trucks, when one from the one patrol got to that particular spot and when the other truck got to the same spot, because that's where they switch over and turn around and go back to their yards.

You also mentioned that—and I had to look at the video—this prevailed for several days. That may have been. If we don't catch the snow at the proper time and something happens to the temperature, it could be more difficult to clear the road that was treated later rather than the one we got to first. But I'd like to point out one thing here: We are running a managed outsourcing contract. Atikokan is part of a managed outsourcing contract. We direct operations there. We send the trucks out and therefore, obviously, we monitor the quality and so on.

Shabaqua, that's a conventional operation out of there. We direct the trucks, we make the decisions; it's virtually the same operation. We just happened to have at Shabaqua one or two of our own plows, but the guys who are out on the road most often are not only directed by our own staff but are probably contractors who are out there with their own trucks as well. There is no difference in delivery methods between those two. That's what I want to report. There may be different road conditions but they're not related to the type of contract. There are other factors that play in this kind of situation.

Mr Gravelle: It may speak also to the large patrol areas. I talked about the Geraldton one this morning and the situation where there can be just one person doing the entire patrol area. That strikes me as one where—and I appreciate that yes, they can perhaps phone it in by radio phone, but the fact is that they're still travelling and also missing when the weather is changing. That potential exists.

I guess the responsibility of the ministry, under the Public Transportation and Highway Improvement Act, is

to maintain the roads. That's correct, right? That's a basic legislated responsibility. If you ultimately go to full area maintenance contracting, which strikes me that's where you seem to be wanting to go—

Ms Rush: No, we want to go with a blended approach.

Mr Gravelle: Wherever it is AMC. Your pilot project was an area maintenance contract. So wherever you've got that, I have some question as to whether or not you're absolutely meeting the obligations of the act. That's the question about the ministry person checking quality assurance. If they're not patrolling the roads, and they're not making the decisions as to when you should go out, and they're doing this, when you talk about quality assurance—Ms Martel was trying to get to that question too—are we talking about on a daily basis? Are people absolutely confirming that the work is being done? That leads me to another question about the contractors being able to input what exact work they're doing.

Ms Rush: The Public Transportation and Highway Improvement Act says we can't contract ourselves out of the liability and responsibility for maintenance of provincial highways. So the liability rests with the province, irrespective of the method we choose to deliver that. That's what that legislated responsibility's talking about.

Mr Gravelle: So as long as you're paying for it—

Ms Rush: We're responsible for ensuring it's done. I go back to standards. The standards are our foundation for this whole quality assurance sense. It is the standards that the ministry has built up over the years. We are very good at it. People come to talk to us, to ask us about how you do this, setting standards. We have excellent capability to translate standards into contract language to make sure that the contractors fully and absolutely understand the standards. We have management information systems that allow and require them in the contract to provide us with the information we need on records. We have ways of verifying that. We have ways of monitoring that. We have requirements that they do the work in accordance with the contract they sign and we have quality assurance techniques to make sure we can oversee to our responsibility that they are indeed doing what they contracted to do.

Mr Gravelle: Explain again how the quality assurance is done.

1530

Ms Rush: Quality assurance is done in a number of ways. Some of it will be verified information that we get from them and go back and verify.

Mr Gravelle: You don't have a technical system in place yet.

Ms Rush: I'm sorry?

Mr Gravelle: I understand that you don't have a system yet completely in place, a direct input system in terms of—

Ms Rush: Yes. What we don't have is a performance evaluation system. That's still being built. But that won't be needed until the next round. That'll be for the next round of major biddings.

Mr Gravelle: To help us all, how can you absolutely verify that it's being done, then?

Ms Rush: As I said, we have audit capability, we have periodic review, we have maintenance coordinators who are on the spot reviewing that information, we have quality assurance on the road. We have people whose job is to oversee that the contract is indeed being executed and we are getting what we paid for. So we check it from bottom up with materials and documentation, we check it in terms of observation, we check it in terms of inquiry and we check it in terms of formal audit.

Mr Gravelle: Can you appreciate the concerns that some people have, though, that if a private contractor is doing the work, obviously one of their goals, understandably so, is to make sure that they make a profit, and that when the ministry was maintaining a far greater control and was far more involved in the process, that perhaps people felt there was more accountability by the government. Can you appreciate there is a concern, because I think that is a concern that a lot of people have. There just isn't the same level of accountability or responsibility by the ministry, especially when you go to a full area maintenance contract, which I know they're going to be going to in Thunder Bay in, I think, June of 2000, this year. Do you understand the concerns about that?

Ms Rush: I understand the concerns of people trying to understand a new system and what's in place. I hope we can assure them, through everything, in all of the quality assurance efforts we've got. You talked about the private sector wanting to make a profit. They do that through the bid process. They bid a price out, and we put in a demerit system with financial penalties. It is not in their financial interest not to meet a standard.

Mr Gravelle: How much of your own equipment do you have left?

Ms Rush: Not very much, and I can't tell you how much, but we have some in the north. I think we have some around Toronto.

Mr Gravelle: How do you protect yourself against the next round, the next time things come through, in terms of the contracts coming through a lot more expensively? Certainly the contractors who were able to get the equipment from you—I think there's a really good argument and a good point that was made by the auditor, that indeed it would allow them to bid lower, because they would not have to purchase the equipment as a separate issue, so they could bid somewhat lower. I think that's an interesting concern. Certainly one of the concerns I have is that if indeed some of the concerns we are expressing are verified, are proven out, in other words, it costs more ultimately and the public ends up paying more for this service, we've gone too far. It's hard to come back, to pull back, if there's no equipment left and you are no longer using your garages. There are all kinds of things that can happen. How do you protect us against contracts not coming back at a much higher price and which you would have no choice but to accept?

Ms Rush: I say it again, I would think our biggest protection out of that is fostering a competitive market, and we think we've done that by the number of players that we have in the marketplace.

Secondly, the blended approach helps with that. We have more managed outsource activities, as well as AMCs, and we have in the past always used versions of private contractors where they had the equipment. The equipment is out there in place, and we've always supplemented—back to the 1970s—with other equipment.

Mr Gravelle: It's been known before in a competitive market for people to get together and decide that they might be wanting to put forward certain bids. I just think it's a concern. This leads me back to some degree to why you or the ministry or the government didn't at least protect themselves by checking this out and going perhaps—portions of the province they would do this way and other portions they would maintain completely with the old method, so they could at least return to the system if it wasn't working and it was costing more money.

Ms Rush: I believe that's a very strong argument for not having gone on area maintenance contracts all at once across the province, and we didn't do that. That's why we have the blended approach. We have lots of managed outsourcing there, which means that we're dealing with smaller contractors in general. We're dealing with longer contract terms, but we're still maintaining a competence within the ministry.

Mr Gravelle: But you have a lot less staff to do the work they previously did. I think you acknowledged that earlier today, that, as you said, the function of jobs changed.

Ms Rush: Oh, yes.

Mr Gravelle: So even the ministry patrols—again I come back to the large patrol areas, which of course the auditor had some concerns about. You haven't expressed any concern about that yourself, and I wonder whether you're willing to, because clearly if one person is doing too large a patrol area, obviously the possibility exists, they won't be able to respond or give directions quickly enough. That's virtually a given.

Ms Rush: Again, the patrol areas have not changed. They change over time, the configurations, but I keep going back to the definition. The area maintenance contractors have within them patrol areas.

Mr Gravelle: But didn't the patrol areas lengthen late in November 1995? I recall it very well. In fact, I did a private member's bill, which lost by one vote, related to maintaining minimum standards for the roads. One of the reasons I brought it forward was because they were lengthening the patrols of the ministry staff.

Ms Rush: We're talking about moving to AMCs and to managed outsourcing. We still have a proper configuration of patrols within those. I think we're constantly confusing the size of the area maintenance contracts with the patrol activity that is going on underneath it.

Mr Gravelle: We're just talking standards here. The patrols were lengthened in 1995, were they not?

Ms Rush: In some cases they were as part of re-adjusting, but there wasn't a generalized lengthening of patrols.

Mr Gravelle: But the fact is that the patrols were lengthened. One can certainly argue that this leads to a potential decline in maintenance. That's one of the things I suppose I've been frustrated with, when the ministry has insisted there have been absolutely no changes. There have been changes. This happened I think in the fall of 1995, and there were quite a few changes. You may recall when Mr Palladini was minister and there was quite an uproar in the House that winter related to the attempt to slash some funding from the maintenance budget and at the same time to affect the patrols.

Ms Rush: I should point out, though, that there were technological changes in the kind of equipment. Patrols were being adjusted throughout the province, but there was not a change to length in patrols.

Mr Gravelle: I've heard that response before. I still think that in terms of the patrols, they essentially have got to be done by people who are on the road looking at the conditions. We all hear about the situations of black ice occurring and things like that.

Hopefully we're all trying to achieve the same goals here, which is why I would certainly submit that we need to get more information related to the actual cost savings in a very precise way, as has been asked for today. I think we need to see it especially to try and resolve the disagreements that have been happening between the auditor and the ministry, and also the whole issue of the safety itself.

I think the way we can do that is to ask the auditor, through this committee, to look at this process once again on our behalf. I hope that's what happens.

The Chair: Any final comments on that?

I just have one factual question. You're saying that there are nine of these companies. Are they located all across Ontario?

Ms Rush: Yes, there are nine separate companies which have won area maintenance contracts.

The Chair: Thank you very much.

Ms Martel: I don't want to ask questions; I just want to make one more request for information. A number of times during your remarks you talked about the research you had conducted before the decision was made to go to outsourcing. I wonder if you can table with the committee, then, the results of the work you did in terms of research. You didn't name specific jurisdictions, but whatever those jurisdictions were where they seemed to be working well and upon which you made your decision, if you could table that information with the committee I think it would be helpful.

Ms Rush: We didn't create a separate report but we will see what we can provide.

The Chair: Thank you very much for attending today. We appreciate the information you provided to us.

Before we move to the in camera session, we have a motion. It's my understanding that if it's moved in open

session, it has to be dealt with at this time. Any discussion on the motion?

Ms Mushinski: Is the mover going to speak to it?

The Chair: Are you going to speak to it, Mr Gravelle?

1540

Mr Gravelle: I hope that my motion will be given serious consideration by all members of the committee. As I think I mentioned this morning while we were in our earlier discussions—and Mr Hastings made reference to the motion—I believe this motion really gives us an opportunity to resolve a lot of the questions that are out there about the issue of highway maintenance.

The auditor was very clear in his report about a number of concerns that he had and certainly briefed us about those in a helpful fashion. The ministry clearly doesn't agree the way the auditor agrees. I think it's important that we resolve it certainly from a cost point of view. There's no question that if it's ultimately something that will not save taxpayers money, that should be a concern to the government as much as anybody else.

The whole issue of safety is one that I think is terribly important. As I stated this morning, the public is incredibly concerned about it. I've spoken to professional drivers of all stripes who have told me about their concerns related to what they view as a decline in road maintenance.

We know that traffic is increasing. There are so many issues of communities, and we've had the 15 fatalities in northwestern Ontario since November. Regardless of what statistics are out there, there were 15 people who very tragically lost their lives. I won't sit here and tell you that I believe it was all as a result of road maintenance. What I am concerned about is that it may have been a factor. But if it was a factor in even one of them, I think it's something we need to explore.

Has this change to the process made a difference to the full privatization that they're moving to? We need to have an opportunity to find that out. We have municipalities. We have chambers of commerce. The Aguasabon Chamber of Commerce in Terrace Bay, Rossmore and Schreiber was very clear about their belief that this is needed. The township of Manitouwadge last night passed a resolution asking that a public inquiry be brought forward. I think they'd be very satisfied if this motion were passed and there was going to be some true study of this by the auditor. Who could be more independent than the auditor in terms of looking at these issues?

This is something that people feel very strongly about. Every time there has been a storm we've had fatalities. I hope that the government members would view this as an opportunity to find some way to clearly resolve this discussion and this debate, because we're talking about people's lives. That's the most important factor in this. There's no question that the cost issue is one that's very much in dispute, obviously. I certainly am in full agreement with what the auditor has clearly put out and I think we need to have another opportunity to look at that as we move down the road.

It's unfortunate that the ministry is so determined to simply move forward without evaluating the pilot project, and perhaps all the more reason why we need to do this. So I would hope that this motion would receive support and I'd ask all members to support it.

The Chair: Comments?

Ms Martel: I'd support this motion on two grounds: one, in terms of safety, and the other in terms of establishing whether or not there are truly cost savings being realized as a result of this exercise. Let me deal with the safety issue first.

There have been, in a very short period of time in northern Ontario, a number of deaths, many of them—almost all of them—involving truckers as well, to the point where about three weeks ago a spokesman for the MTO itself, George Kerhanovich, spokesman for the Ministry of Transportation provincial employees relations committee, said: "I have never heard of as many deaths as we do now on" northern "highways. And I have worked with the MTO for 30 years. I've never seen anything like this."

If I can raise a second example which came to our office, which we have written to the minister about and await a reply, this was an incident that took place on Highway 69, heading to Toronto between Alban and the French River. The OPP made three requests for salt and sand in the area between Britt and Alban and began that at 6:30 in the morning of December 30. It wasn't until 11:15 that there was anything on the road at all. The woman who wrote to me avoided a serious collision with a tractor-trailer and ended up with some substantial damage to the car, but the three of them were not killed. As I say, we're waiting for a reply now from the MTO.

That clearly is another case for the OPP—calls three times from 6:30 on and gets no response from anyone to deal with a situation on the highway, glare ice, until well over four hours later.

I think that in the minds of many people there is a concern that the change from MTO staff doing highway maintenance to private contractors is resulting in a lessening of safety standards. As you talk to people in northern Ontario, they are quite convinced about that. I think that a study of this nature, if it's not true, would put that concern to rest and deal with it effectively.

Second, with respect to cost savings, I have to say that I tried in a number of ways to get at the issue I think the auditor has raised—and all of us—with respect to what are the cost savings of this exercise. You only have to look at page 243 of the auditor's report, where clearly the Provincial Auditor's estimate of savings on the four AMCs was 0.3%. The ministry's estimate of cost savings was in the order of 5.2%. It's a \$5-million gap between what the ministry estimated savings to be and what the Provincial Auditor, in his work with his staff, assessed those savings to be.

If the ministry continues to use the same methodology in interpreting their savings, as they told us today they were, that would result in a significant gap in any number of contracts. And the total of that would be quite signifi-

cant, which is why I think the auditor said, "Despite these one-time savings, outsourcing may ultimately result in a significant increase in the cost of highway maintenance for these contracts."

I regret to say that I was not convinced by much that the ministry said today with respect to dealings with this issue. We may get some information, some new documentation, which would give the auditor some comfort about the \$900,000 in estimated savings that he said the ministry did not provide documentation for; that was for the pilot. We've got an outstanding issue of a gap of well over \$5 million between the potential savings estimated by the ministry and what the auditor found in the four AMCs that were then tendered in 1998.

My concern is that the ministry will come back to this committee and say, "For confidentiality purposes, for protection of commercial interests, we can't release information to you," information which would in fact give us some clear understanding and reasonable, legitimate knowledge of what the actual savings are. I think that before we're finished the ministry will come back and say they can't give us much at all that will allow this committee to make an informed decision about whether or not what the ministry says is true; ie, they are receiving substantial savings because of privatization of highway maintenance.

I think if we send the auditor back in to look at this information again—clearly he has a right under his act to look at all these details, to look at all this information—we may then finally get to a situation of determining whether or not what the ministry says is correct, that those estimated savings are live and are real and the taxpayer is benefiting.

I would support the motion on those two grounds: (a) to deal with a very strong public perception in northern Ontario that safety is being compromised as a result of privatization; and (b) cost savings, because not much of what I heard today gave me any confidence. I don't feel confident that we would get the information we would need to make that determination. The best way the cost savings issue, which was clearly a major part of the auditor's concern, would be sufficiently and adequately dealt with if we sent the auditor back in.

Mr Hastings: If I may respond to Mr Gravelle's motion that he has put forward from this morning, I think it's well intended. We certainly share, from a government perspective, the issue of safety. I want to deal with the cost item in a broad perspective as well.

First, I would start by reiterating that we have had, through a lot of thorough questioning today, some ways in which some of the disagreements over cost can be handled. I think there is going to be some information brought forth by the deputy to alleviate those concerns. I also believe that my colleague Mr Maves will present very shortly a whole set of items that the legislative clerk could be examining that would answer some—possibly not all—of the concerns raised in Mr Gravelle's motion.

Let me also state that it's interesting that the case is trying to be made that safety is being compromised here

by a different methodology than the one that was offered before; that is, that the traditional MTO approach to highway maintenance is presumably the only and best way to go in the future. That would be, I think, the way I interpret Mr Gravelle's motion, part of the thesis that, in and of itself, that provided sustenance and comfort to the whole issue of highway safety throughout this province.

1550

We asked a question this morning in anticipation of this issue. I asked the assistant deputy minister if he had any specific verbal or written evidence from any of the jurisdictions that MTO contacted, whether in Europe or North America, that indicated that, in and of itself, a different methodology of carrying out highway maintenance could uniquely contribute to the fatalities or severe injuries of any driver or passenger in the province of Ontario. I think we got an answer back pretty clearly. If you look at the record from this committee when it comes out, there was a negative. He said "No." We'll also, I presume, get more confirmation of that from the tabled material that will come later.

It's also important to remember that this isn't uniquely different from what has been going on in this ministry or other ministries across the government of Ontario or in other provincial operations across Canada. We have had for a number of years, since the mid-1970s, and I can recall during the 1980s, when I was on a city council, some specific things, by function, contracted out, outsourced. There is a history to that.

One could argue then that if that were the case, where there has ever been an accident, whatever dimension that accident had during those years, you could then go back and say, "Ah, because you had outsourced a specific activity in the maintenance area, that must have been a major or very vitally contributing factor to that accident," whether it be on the provincial highway system or on a municipal road system. I'm not sure that would be the case.

Mr Gravelle says in his motion "may have compromised safety." On a logical basis one could say—and this is not to dismiss the concerns people have around safety, whether it be in northern Ontario or southern Ontario—that a whiteout or a very bad rainy night could in and of itself be the decisive contributing factor to another type of accident. That doesn't sound very logical.

Usually what happens in these circumstances is, if you look at provincial inquests of whatever the size of an accident, you have a series of factors. Some of them are mindsets; some of them are external. Depending on the time of year, the season, that can also contribute. So I think we have to be very prudent in terms of how we approach this issue.

Furthermore, I wanted to point out that we had from staff some statistics. While some people take a very skeptical approach to this, I think there is some good substance in the material that was presented regarding northwestern and northern Ontario—that undermines or does not confirm Mr Gravelle's motion, even on the basis

of "may," if you use those statistics over a 15-year period. I think that shows a pretty strong trend line.

Furthermore, I would like to add that when I visited northwestern Ontario on at least two occasions, I remember reading, I think before I became the PA—I may be off in the year—an article in Reader's Digest about a killer strip in northwestern Ontario near Vermilion Bay. I drove that after it was changed, and from what I could see from photos and video before we had reconfigured that section of the highway, from the design then, combined with the speeding and some other factors, there was a great potential for accidents.

After that project was started and completed between 1995 and 1999, costing about \$25 million, I asked the region engineer if he could recall any fatalities since completion, and he said he couldn't say. But from what he says people tell him and from what I saw in the summer of 1998, there was a great deal more comfort in terms of that specific area. It was much easier to maintain. The wider design gave a lot more forgiving quality for people driving through it. That, remember, is in a managed outsourcing arrangement, if I'm correct on that section of northwestern Ontario.

If one wants to go into greater detail about this, look back at the expenditures made by other governments, including ours, over the last 15 years. If you take 1987-88, there was about \$283 million expended on capital construction programs across the province. In this past year we were up to \$692 million. If you specifically look at the north again, expenditures back in 1987-88 in the north were \$57 million, the northwest \$47 million; in 1999-2000, \$174 million for the north, \$66 million for the northwest.

The figures vary, depending on which ministers were successful in getting more money per year. But if you go and talk to a lot of the people in the north—and I've had them through Ontario Good Roads, I've had them through AMO—they are generally satisfied with a lot of the money we put up in terms of improving the design not only in the Vermilion Bay project but in other areas of northwestern Ontario. We've brought the highways back up and we dealt with that through questioning in terms of the pavement index.

In essence, we've made some significant progress in terms of managing the number one priority we have, which is public safety in the province of Ontario, through questioning, through statistics, through anecdotal evidence, including the mayor of Kapuskasing. The mayor of Fort Frances, Mr Witherspoon, said to the minister recently that he didn't have any problems with the way in which MTO was supervising and monitoring managed outsource arrangements. I want to specifically quote the mayor of Kapuskasing, in the Sudbury Star on January 19, a very positive endorsement of road maintenance on Highway 11: "The subcontractors who clean 11, we hired them to do the town's portion so it can be all uniform because they were doing better work than we were doing ourselves." There's one example. That doesn't say everybody else is happy—we understand that—but we

need to put on the public record some of those particular comments.

It's also been noted by the OPP in northwestern Ontario that generally speaking they are relatively happy with the way in which traffic safety is being observed and the way in which the roads are being maintained in that part of Ontario.

1600

Much as I appreciate Mr Gravelle's intentions here through the motion, I think Mr Maves will present some other ways in which we can handle his concerns. Also, we have the auditor already asking in the four questions this morning—certainly the one that he will be getting information on, I'm sure—the cost evaluation regarding the pilot project at the end of April. Even if it wasn't clearly delineated, I know that under the powers of the Audit Act, he has that capacity and obligation to do so anyway. So we will get some answers on that specific contract.

The other final thing I want to say is, being in government compared to being in local government, I can understand and appreciate where the opposition's coming from when they hear this term "competitive intelligence" and that somehow, if you can't get those numbers out, there is hardly any validity to the savings that have been achieved by MTO, or in other circumstances. I think what clearly has to be maintained is that when you do have competitive intelligence and that information was given out and it could get out, that gives a great advantage to other bid competitors in new contracts arising in the future. It wouldn't be very difficult to piece together where those numbers come from and where the contracts are situated when you see that kind of information. That's one of the problems anybody in government has today, whether it be provincial or federal or, in some instances, local.

I think there are other ways of handling this motion, Mr Chair, and thank you for the time.

The Chair: Any further debate?

Mrs Julia Munro (York North): I want to comment on two aspects of this motion, and certainly the first one with regard to road safety. I think all of us as individuals recognize this as the important issue. In the presentations provided by the deputy throughout the course of the hearing, it's clear that that has been a significant and, perhaps more accurately, their most important concern. I think that recognizing that as a paramount concern of us as individuals and of the ministry, we can look at the material that was provided for us with regard to the studies that they have done on the fatalities that have taken place in the areas under consideration. That is certainly what has been asked for in this motion. We have seen some of the material today.

The second area I want to deal with is the issue of the role of the Provincial Auditor in this motion. The first part asks about undertaking a full review, and the fact that the auditor would report back. I just call your attention to the fact that when you look at what the auditor has provided us with and given us direction to work on,

particularly those pages of 237 to 242 in the auditor's report, they in fact give us very clear direction on where, as a committee, we should be looking in the areas of the measures that the ministry has undertaken and looking at questions of the alternative delivery service, and clearly asking the kinds of questions with regard to the way in which that delivery is being provided.

I would suggest to members of this committee that the auditor obviously doesn't need the committee to instruct him in this regard. He regularly, as part of his responsibility, provides us with a follow-up of his recommendation as part of the regular business. That is perhaps something that makes part of this motion something that is already covered by the normal business of the committee and the auditor.

Finally, I would just comment on a couple of the individual points made in this motion. We have heard today about the initiatives around performance standards, the fact that Management Board is providing some direction in this area on the development of the performance measures. I think that when you take this as a whole, we can see that the Provincial Auditor is operating within his purview and therefore this becomes redundant.

Secondly, many of the individual parts of this motion have already been addressed by some of the things we've heard today,

The Chair: It's my understanding that this motion, in effect, is a special request under section 17 of the Audit Act for the auditor to perform a special assignment as directed by this committee. Normally what the auditor would do, subject to any other directions that may come out of these hearings, is go back as a matter of course in two years to look at this again. That's the major difference: whether it's a special assignment or a regular part of his audit that proceeds every two years.

Any further discussion?

Mr Gravelle: One quick comment. I do want to respond, if I can, to Mr Hastings. I'm not sitting here for a second saying that all the fatalities that took place, let alone any of them, are absolutely as a result of the road maintenance changes in the province. What I am suggesting or concerned about is the fact that they may be. I appreciate you making it clear that I said "may or may not."

The fact is, we have an opportunity through this motion to have the auditor explore this aspect. This is obviously the most crucial issue one can imagine, if it's possible we may be able to discover that there has been some change in the process that we've been expressing those concerns about that has had an impact on the roads. If they're not getting to them as quickly as they can, if the process by which the patrollers are going out is not working in terms of getting the message back to the contractors, and if indeed it's not working, this is an opportunity for us today, and in many ways it's a non-partisan opportunity.

The auditor is in a position where he can do it. I heard him earlier say that it might not be easy to do this—it would be more difficult—but he could. I think that's very

important. Responding to Mrs Munro, as the Chairman kindly pointed out, he otherwise wouldn't be going back for probably two years.

I would like to think we would view this as an opportunity as a committee of the Legislature to look at something where obviously there's the cost aspect, which is one that I think needs to be further explored. But certainly from the public safety perspective, if there is any chance—listen, if we're wrong, we're wrong. But is it not our responsibility to be as concerned as possible about that possibility, all of us in this room? If we have a chance to have the Provincial Auditor explore that, then I think we should be taking advantage of that opportunity.

Mr Maves: Just quickly, we've kind of had a battle of quotes and a battle of perceptions, and that is exactly what a lot of the quotes are; they're just perceptions.

Charlie Caldwell, the mayor of New Liskeard, has said that the standards have been not reduced, when talking about this issue. Jack Burrows, the mayor of North Bay, has said, "We are satisfied that highway standards are being maintained." Bob Beatty, OPP traffic sergeant in Thunder Bay, has said: "My perception of it is the motoring public is getting the same service they got before. I would say there is more sanding being done and more plowing being done." So there is the desire to use all of these quotes about perceptions and whatnot.

But what I wanted to get at is that during my questioning with the ministry, I very clearly asked them some questions that were actually derived from Mr Gravelle's motion. I asked if they were reviewing, and they said they were, highway maintenance contracts on a regular, continual basis. I asked if they were continuously reviewing the economics of those highway contracts, and they said they were. I asked if indeed inspection and monitoring of highway maintenance was ongoing and in fact increased, and it was. I wanted to note that.

I want to also note that a lot of things my colleagues and I are ready to propose with legislative research will actually cover some of the things in Mr Gravelle's motion for the rest of the year 2000. Beyond that, in the year 2001, I believe it is, Mr Peters will probably be back at it anyway. As Mrs Munro said, because of that, that he's already going back anyway, it becomes somewhat redundant. I think, with some of the things that we're going to propose to the committee and to legislative research, it will become redundant for this year also.

The Chair: Any further discussion by anyone? Any comments?

Mr Gravelle: I'd just like this to be a recorded vote.

If I may, to Mr Maves, the fact is you're right, in terms of going back and forth. There was also acknowledgement that the maintenance standards had changed in 1995, the patrols had lengthened. There was an acknowledgement of that by the deputy.

Mr Maves: It wasn't acknowledged, actually.

Mr Gravelle: Yes, it was. Anyway, I would like to have that be a recorded vote.

The Chair: I'm going to call the question, then. All those in favour?

Ayes

Cleary, Gravelle, Martel.

Nays

Hastings, Maves, Munro, Mushinski.

The Chair: The motion is lost.

Any further matters to be discussed in public session? Then the hearings are adjourned until tomorrow morning.

The committee continued in closed session at 1611.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Friday 25 February 2000

Journal des débats (Hansard)

Vendredi 25 février 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
Ministry of Training
Colleges and Universities

Comité permanent des comptes publics

Rapport annuel 1999
Vérificateur provincial :
Ministère de la Formation et des
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTS

Friday 25 February 2000

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

COMITÉ PERMANENT DES
COMPTES PUBLICS

Vendredi 25 février 2000

The committee met at 1047 in room 151, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF TRAINING,
COLLEGES AND UNIVERSITIES

Consideration of chapter 4(3.06), Ontario student assistance program.

The Chair (Mr John Gerretsen): Good morning. I'd like to call to order the standing committee on public accounts to deal specifically with chapter 4, section 3.06 of the 1999 Annual Report of the Provincial Auditor, dealing with the matter of the Ontario student assistance program.

Thank you for attending this morning. We look forward to your presentation. Perhaps if you could identify yourself for the purpose of Hansard. You'll have about 15 to 20 minutes for your presentation. There will be questions from members of the committee afterwards.

Dr Bob Christie: I'm Bob Christie. I'm the Deputy Minister of Training, Colleges and Universities. To my left is David Trick, who is the assistant deputy minister for post-secondary. On my right is Helmut Zisser, who is the director of the student support branch, and on Helmut's right is Louis Lizotte, who is the senior policy adviser in the student support branch.

I will be making some brief introductory remarks and then I'll turn the floor over to Helmut for an overview of the program and the steps that the ministry has taken in response to the recommendations made in the auditor's 1997 annual report. As well, we will review the follow-up comments made in the latest report of the auditor.

We welcome this opportunity to update members of the standing committee on public accounts on the ministry's work in response to these recommendations. The recommendations in the 1997 report provided the ministry with a constructive set of recommendations—some of them challenging—and the opportunity to take needed steps to improve the integrity and accountability of OSAP administration.

We're pleased to inform committee members that the ministry has taken action on all of the auditor's recommendations. Ministry staff will be able to answer any questions you may have about the implementation status of any of the specific recommendations of the auditor.

With that brief introduction, Helmut will now provide you with an overview of the steps we've taken and are currently taking to improve the management of the program.

Mr Helmut Zisser: As the deputy indicated, we've taken action on all the recommendations made by the Provincial Auditor. In several areas not only have we implemented what was recommended but we've also moved beyond the specifics of the recommendation to further address accountability or shared responsibility issues.

In our presentation, we will go over the initiatives the ministry has taken and the process to address the issues raised by the Provincial Auditor. We will also provide information about customer service at OSAP, which is an important aspect of our accountability to the public, and conclude with future directions for improvements to student assistance in Ontario.

All of the recommendations of the Provincial Auditor with respect to establishing performance agreements with institutions, external compliance audits and setting out disciplinary measures for institutions that do not meet requirements have been addressed. Performance requirements have been signed with all private vocational schools participating in the Ontario student loan program since July 1997. The ministry finalized an accountability framework and performance guidelines for the administration of OSAP with colleges of applied arts and technology in October 1998, and an accountability framework for the administration of OSAP was concluded with Ontario universities in July 1999.

Detailed OSAP compliance audits of private vocational schools started in the summer and fall of 1998 for the 1997-98 program year. The number of audit reports received for that year is 166, covering 228 institutions. The ministry has reviewed all reports and followed up where appropriate in asking for corrective action plans or taking further actions as warranted. For 1998-99, 361 private vocational schools and all 42 universities and colleges of applied arts and technology are being audited. The audit process is currently underway and reports are due over the next few months.

Income verification arrangements are in place with Canada Customs and Revenue Agency, formerly Revenue Canada, for income reported by students, their parents or their spouses. The ministry receives income information from the tax returns of students who receive

student loans and from their parents and spouses. This information is compared with the information reported on the OSAP application form or as amended during the course of the academic year. For 1998-99, some 213,000 student files, 196,000 parent files and 22,000 spousal files were verified. As the Provincial Auditor points out in his 1999 follow-up report, the introduction of the Ontario student opportunity grants, replacing the loan forgiveness program, will reduce the risk that students receive loan forgiveness before their income is verified, as OSOG will be paid out annually and only after income verification has occurred.

Further data-sharing agreements are currently being pursued with the Ministry of Transportation for vehicle asset verification and with employment insurance.

Explanations are now required when a student reports income that is below an estimated minimum requirement to live on. In 1998-99, there were close to 40,000 OSAP applications where income clarification was required. Of those files, about 38,000 provided satisfactory responses and were processed. The other 4,000 applicants could not be processed as they either didn't respond to the request for an explanation or provided unsatisfactory responses.

The Provincial Auditor's recommendation to give due consideration to student and spousal assets when calculating loan entitlements was implemented, starting with the 1997-98 academic year. Effective for the 1997-98 academic year, federal needs-assessment criteria related to assets were implemented. Revisions have been made to Ontario student loan regulation 774 to permit consideration of student and spousal assets in determining loan entitlements. Assets include vehicles, bank accounts, other investments and RRSPs. Parental assets are not considered in the assessment.

In order to increase access funding for students with financial need, universities and colleges are now required to set aside 30% of tuition increases for student aid. These amounts are supplemented with financial aid distributed from the \$600 million being raised in permanent endowments under the Ontario student opportunity trust fund initiative. These two sources of institution-based financial assistance added close to \$100 million in 1998-99 and are estimated to be over \$146 million for the 1999-2000 year.

After increasing in 1997, Ontario student loan default rates decreased in 1998 and 1999. In 1999, the overall rate declined by 3.9 percentage points from the 1998 rate. Overall default rates since we have calculated them are 18.6% in 1996, increasing to 23.5% in 1997, and then declining to 22.1% in 1998 and 18.2% in 1999.

The robust Ontario economy is certainly a big factor in the decline of OSAP default rates; however, we believe the combination of measures that we have put in place in recent years is also a factor and will become much more of a factor in the years to come. Reforms to OSAP will ensure that student loan defaults continue to decline.

We've taken steps to reduce the future instance of student loan defaults. Colleges, universities and private

vocational schools are required to provide prospective students with accurate information about each program's graduation, placement and loan default rates, which allows students to make a more informed choice of studies. Institutions are required to share the cost of defaulted loans if the institution's overall default rate is in excess of established thresholds.

New OSAP applicants are credit screened, and those who have been 90 days in arrears on three or more personal accounts or loans totalling \$1,000 or more within the past three years are not eligible for a student loan.

Student loan recipients have the status of their Canada and Ontario student loan accounts reported to credit bureaus. Private collection agencies have been collecting student loan defaults since January 1999. Effective for the 1998 taxation year, defaulted loans are recovered from income tax refunds. This has occurred in an environment where changes to federal bankruptcy legislation enacted in 1998 prohibit student loan borrowers from discharging student loans through bankruptcy until 10 years after the completion of studies.

The ministry has taken steps to ensure that OSAP is administered properly and is available to students who are entitled to assistance. The number of students put on the OSAP restricted list has increased as a result of the ministry's verification activities in recent years. In 1993-94, we had 622 restrictions, and this number has increased to 3,737 in 1998-99.

There are two kinds of restrictions we have in place:

Investigative restrictions are issued by the ministry when students or institutions fail to comply with program requirements. This can typically arise because we receive information that indicates that someone is participating in the program and has not presented complete information.

Academic restrictions are issued at the institution when the student fails to meet minimum academic progress requirements. All students are required to progress through their program of studies successfully in order to continue to receive student assistance, and financial aid offices at institutions are responsible for monitoring that.

We've also improved our linkages with lenders. The majority of Ontario student loans are held by three lenders: the Bank of Nova Scotia, CIBC, and Royal Bank. The ministry has now established procedures to improve processing of bank information with the major lenders. Facilities to permit lenders to correct their own errors on the OSAP database are in place. The ministry has established a full electronic data interchange process with one of the major lenders, and discussions are underway with the other two lenders to achieve efficiency using EDI for their transactions.

The backlog of claims identified at the time of the 1997 audit has been eliminated. Claims for loss under the government guarantee are processed expeditiously. It now takes just two weeks from the day the claim is received from a lender for the claim to be verified, processed for payment and sent to collection.

Recoveries from credit collection have also increased. In 1997-98, the year before private collection agencies assumed the collection of all student loans, only \$4.3 million was collected on outstanding student loans. In 1998-99, \$21.2 million was recovered. This year, up to the end of January, \$35.7 million has been recovered.

Additional revenue is also generated through income tax set-offs. For the 1998 taxation year, the first year of the agreement with CCRA, formerly Revenue Canada, \$1.3 million was collected from income tax refunds. This was out of a total of \$26 million in claims that we forwarded, representing about 9,000 delinquent accounts. The program started in the middle of tax-filing season.

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In order to provide students and parents with a clear picture of the ability of post-secondary institutions to successfully place graduates in jobs, colleges, universities and private vocational schools are required to provide students with information on graduation rates, graduate employment rates and Ontario student loan default rates. This information is given to students to help them as they consider in which institutions and programs to invest their money, time and effort.

In the next series of slides we have extracted the Web site at Queen's University to show how that information is being made available to students. Someone going to the site can pick the item "Student Information." That presents them with a series of options, one of which is to look at performance indicators. There's then a brief description of what performance indicators are and a specific reference to the OSAP performance indicators. They can then move on and review those indicators in turn. There is information on graduation rates. Queen's was chosen to show both their own rates as an institution and the provincial average for universities. The student can get detailed information by program on those rates. Students can also look at the rates for employment and, again, the details associated with that. Universities provide both six-month and two-year employment rates. Finally, there's information on student loan default rates, and that again is available by program at this Web site.

Customer service is also a very important aspect of the program. OSAP serves about 40% of the post-secondary students in Ontario. In effect, the number of individuals the program serves is even greater because it is not only students who make inquiries about OSAP; their families, their parents and their spouses all contact the ministry. OSAP receives over 120,000 telephone calls a year, not including the 1-900 service. This includes calls from students attending institutions outside of Ontario where the ministry acts as their financial aid office for purposes of student assistance—the OSAP program—and students seeking information about their loan, loan forgiveness status, their reassessments, income verification notices, their T4As, their loan defaults, income tax set-offs, interest relief, bursaries and so on. OSAP also receives calls from financial aid administrators at post-secondary institutions and loan officers at lending institutions.

Most information requests from Ontario students are directed to the institution's financial aid office through an automated response system. The data shown in the graph represent only the number of calls where the caller required service from the ministry. OSAP services to the public are available in the consumer's choice of English or French, and a special TTY toll-free line is available for deaf and hard-of-hearing students.

OSAP customer service demand is cyclical. The peak periods occur just before and at the start of the new academic year in August and September, and at the start of the second term in January. The demand for service at these times presents a challenge to the ministry and the financial aid offices at colleges and universities. In order to provide better service to students and to assist financial aid offices at institutions, the ministry has established an Internet Web site to serve student information needs. Through this site, students can obtain comprehensive and timely program information and receive up-to-date information about their loan. The site is available 24 hours a day, seven days a week. This past August, the Web site had over 140,000 visitors and received more than seven million hits. Even during December, a period of relative quiet, the Web site served about 50,000 visitors and had about two million hits.

In addition to the free Internet service, OSAP offers a 1-900 automated line that students can use to gain access to their account information. There's a flat fee of \$2 per call charged to the caller's phone number. The nominal fee is to recover the cost of providing this alternative service. The same information on application status is available on both the Web site and the 1-900 automated line. The decrease in the use of the 1-900 line between 1998-99 and 1999-2000 reflects the increasing popularity of the Internet and the increasing use of the free Web-based service.

Students can also apply for OSAP over the Web. Introduced as a pilot project in 1998-99, it generated 45,000 applications. This year, at the end of January, the number of Web-based applications is over 60,000, a jump of more than 30%. Last year, there were about three booklet applications for every Web-based one; this year, for every Web application, there are about one and a half booklet applications. We expect the number of Web applications to continue to increase.

Applying for OSAP through the Web site doesn't entail any cost on the part of the student. Returning students receive a pre-printed application requiring them to update existing information. Again, there is no charge when using this application.

Future directions for OSAP. In November 1999, the government announced three actions to make OSAP a more efficient and fairer program: An improved income verification system will be introduced so that individuals who under-report income on their student loan applications do not receive more assistance than they're entitled to; tighter credit screening criteria will be applied to new loan applicants to better ensure that students with a history of credit abuse are not issued student loans; and

the default rate threshold at which institutions must begin to share the cost of student loan defaults will be lowered to encourage institutions to take further steps to reduce defaults.

The Minister of Finance announced in the 1999 budget a new Aiming for the Top tuition scholarship, which will help students who earn top marks and require financial assistance to attend college or university. Starting in September 2000, these scholarships, with a value of up to \$3,000 per year, will be awarded annually. Students can receive a scholarship for up to four years.

In May 1999, the province signed an agreement with the government of Canada to replace the Canada and Ontario student loans with a single loan, starting in August 2000. This single loan will simplify arrangements for student borrowers and streamline the administration of OSAP. It will also allow Ontario to introduce improved interest relief and debt reduction programs to help students who have trouble repaying their loans. The harmonization agreement provides Ontario with access to the same terms and conditions for a risk-sharing agreement with lenders as is currently being negotiated by the federal government.

The Chair: Thank you very much. That was an excellent presentation. I'll turn it over to the government side, but I've just got one question that I'm sure everybody is dying to know. When you say that all calls are answered within three rings, are we talking about by voice mail or by a human being?

Dr Christie: Both.

Mr Richard Patten (Ottawa Centre): Mainly by message machine.

The Chair: We've got about 17 minutes for each caucus. We'll start today with the government side.

Mrs Tina R. Molinari (Thornhill): Thank you very much for your presentation. It's very informative, and it's good to see that a number of the recommendations that were made are in fact being implemented. There's one question I have with respect to accountability, and of course this is the time of accountability, where everyone needs to take some ownership and responsibility. How are the colleges, universities and private vocational schools required to share some of the accountability and the cost in the default loans?

Dr Christie: Typically, as Helmut noted earlier, there are default rate thresholds determined for these institutions. Those institutions with default rates above the threshold begin to experience a financial sharing of costs above that threshold. Helmut will provide the details.

Mr Zisser: Prior to 1998-99, there was no sharing of default costs with institutions. The province paid 100% of default costs. There was also no designation of programs with high default rates. Since then, institutions with overall high default rates in excess of the default threshold are responsible for reimbursing the ministry for the cost of program defaults in excess of the threshold. Default thresholds are determined on an annual basis. In the first year the program was put in place, the default threshold was set at 38.5%. That was 15% above the

average default rate in the province. The following year, the threshold was lowered by 5%, to 33.5%; that is in 1999-2000. For the 2000-01 year, post-secondary institutions whose 1999 loan default rates are above 28.5% are required to share the cost of defaults for their high-default programs on loans issued after August 1, 2000.

Institutions can become exempt from sharing the costs of loan defaults if they elect to drop one or more high default programs from OSAP eligibility; then their recalculated institutional default rate will fall below that threshold.

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In the following year, this policy will also apply to schools whose 2000 loan default rate is above 25%. So there has been a gradual process of bringing that down to 25%. The goal is to reduce default rates below 10% by 2003.

Mr Molinari: Thank you and just a follow-up. So it has been going down in the last number of years. Do you have any idea of predictions on the effects of that? Will institutions actually be taking some ownership, or are they going to be more conscious of what they're doing? I guess the bottom line would be that they don't want their grants to be affected, so they are going to be more aware that this is in fact an area. Are you finding that there is co-operation there, that there's a willingness to participate?

Mr Zisser: There's certainly evidence that institutions are taking default seriously and, as a result of receiving default information, are looking at that information in terms of the programs they're offering to try to determine what value students are receiving from those programs, what practices they have as institutions that might contribute to high default, what they could be doing as institutions to better educate students in terms of their obligations with respect to loan repayment and also whether student loans make sense in all cases. I think there's a pretty good indication that institutions have started to put in place processes to address default.

The Chair: Mr Maves.

Mr Maves: Go ahead, Julia.

Mrs Julia Munro (York North): I have a couple of questions. In the last sheet you presented, you talked about future directions. It seems to me that obviously one of the areas that is important here is making students, that is, the current students in our secondary schools, more aware of what is I think a fairly important process for them when they're making decisions with regard to post-secondary education. I wondered what ideas have been put forward to provide those students, who are now required to have an education plan from grade 7 onwards, what steps are being taken to have them aware of the kinds of detail and understanding of the processes with regard to student loans.

Mr Zisser: We've drawn attention to the requirement for institutions to provide this information to students as part of the OSAP application process, and we currently publish the student loan default rates on the OSAP Web site. We're certainly making sure that institutions provide

information on graduation and placement rates through their own means to students so that the information is available. Certainly one of the issues that has arisen is how we can better focus our communications to students, parents and others. In this respect, the minister has recently put together an advisory committee on student financial assistance that will look at the question of communications and how we better target these messages to the appropriate audience.

Mrs Munro: My second question has to do again with page 23 of your slides. I wondered if you could give us a little more detail on the way in which you anticipate this loan harmonization with the federal government. It seems to me that this has been one that has created a great deal of confusion in the minds of recipients and the general public as a whole.

Mr Zisser: Ontario is one of the two provinces which at this stage have signed agreements with the government of Canada to harmonize student loans. My understanding is that this process is also well advanced with other provinces, but we were one of the first to sign, in May 1999.

The harmonization has as its goal to produce a loan product that is simpler for students to understand, simpler for students to deal with and easier for everyone to administer, including government but also the lenders. Right now there is a complete duplication because there are two separate loans, two separate terms and conditions, two separate sets of repayment arrangements and two separate sets of measures if a student runs into difficulty with repayment.

One of the issues that students face is having to educate themselves about the complexity of this product and then doing everything twice. So the goal of the harmonization is to create for the student a single loan document, a single set of terms and conditions, a single set of repayment and, in the event that a student needs assistance during repayment, that there's a single set of instruments that can benefit them.

Mrs Munro: Is there, as part of that negotiation, consideration being given in terms of the provincial situation as I understand it exists now, where the province is the guarantor of the student loans but the federal government is not for its portion?

Mr Zisser: One of the features of the agreement is that it would make available to the province the type of risk-sharing arrangement that the federal government and the other provinces have with lenders. That was certainly one of the features that is there and that we would hope will be in place for the 2000-01 loan year in Ontario.

Mrs Munro: Does this suggest, then, that the studies done by the ministry place the way in which the federal government manages its student loan risk to be advantageous for Ontario?

Mr Zisser: I think most of our analyses would indicate that the guaranteed loan arrangement that Ontario has is one of the more expensive ways of delivering a loan product. Certainly, a risk-sharing arrangement would see some efficiencies and a reduction in costs to

the province, costs which really don't benefit students or taxpayers.

Mrs Munro: Can you give us some idea in terms of the way in which other provinces have dealt with that? You did say that some have gone into a relationship with the federal government such as you are now entertaining, but I just wondered what the ratio is. Is it everybody but us or somewhere in between?

Mr Zisser: Quebec does not participate in the Canada student loan program. Other than Quebec, Ontario is the only province that is not part of the risk-sharing arrangements.

Mrs Munro: I think Mr Maves has a question.

Mr Maves: How much time do I have, Chair?

The Chair: You have about five minutes.

Mr Maves: OK. Thank you, gentlemen, for your presentation. I did note that from the auditor's 1997 report and his subsequent 1999 report, he concluded that you had indeed followed through in several areas on some of his recommendations for 1997. So I commend you on those areas. I want to walk through this for a second, though. Let me just ask, at what point do you write off a loan as being defaulted?

Mr Zisser: Under the current arrangements with lenders, we act as the guarantor to the loan, so we expect the lender to make efforts to achieve repayment. But if a lender has issued a 30-, 60-, 90-day notice to the student and the student still has not responded and the loan is no longer in good standing, then the lender can return that to the province. They have to provide us with documentation of the efforts they have made, and then, based on that, we will pay the claim.

Mr Maves: OK. So we have an arrangement with the banks where they lend the money; while the student is in school, we pay the interest to the bank for the loan; six months after graduation, the student is required to start paying back the loan; 90 days after that six-month period, if the bank has sent them a couple of notices and they have not started to pay, they can then get all of the principal back—we've already been paying interest—from the government of Ontario, the taxpayers of Ontario.

Mr Zisser: That's correct.

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Mr Maves: When that happens—I mean, that's a pretty lucrative set-up for the banks, but once that happens, how do we then go after the student?

Mr Zisser: Once the province has paid the claim to the bank, the ministry transfers the loan to the collection management unit at Management Board. They in turn transfer the loans to five private collection agencies that were selected to collect on all Ontario debt, and the private collection agencies then make the efforts to collect the money.

Mr Maves: Have we been using those collection agencies long or is that something we've just done in the past few years?

Mr Zisser: The current approach to having all of the collection take place through private collection agencies started in January 1999.

Mr Maves: Previous to 1999, the government would pursue the debt. What was the recovery rate when the government was pursuing the debt?

Mr Zisser: I don't actually know what the recovery rate at that point was. The only information I have is that in the year prior to this arrangement coming into place, something in the order of \$4 million was all that was collected on the outstanding accounts, but I don't have a recovery rate.

Mr Maves: That's total for a year's—

Mr Zisser: For the portfolio that was there at that time, that was the total recoveries.

Mr Maves: For that year?

Mr Zisser: For that year.

Mr Maves: OK. And for previous years on all these defaulted loans, it was a similar rate? Do you have any idea?

Mr Zisser: I don't have that information.

Mr Maves: Do any of the members of the group know? I'd like to know what our recovery rate was. Prior to January 1999, when the Ministry of Education and Management Board went after bad debts that the taxpayers had paid off for students, I would like to know what the recovery rate was. What is the recovery rate experience since January 1999?

Mr Zisser: We don't have a rate calculation at this point. We simply know the total value of the monies that are being paid to the province by the collection agencies. An analysis of a rate like this would require a substantial amount of work, in that the loans that are in collection come from all the previous years and you would have to relate something back to a cohort or some other unit to be able to determine what it was for that group. Again, the information we have is simply the cash we are getting. We don't receive information at this point of how many of the loans are in repayment with the collection agencies. In some cases, the payment we receive is as a result of the individual making a payment; in some cases they're making a lump sum payment to pay off the entire amount; in some cases they're settling the account.

Mr Maves: Are we selling these debts to the collection agencies?

Mr Zisser: I believe that under the contract Management Board has at this point, it is a two-year contract during which the collection agencies have the right to collect on the accounts.

Mr Maves: Are we getting a set amount or are we going to get a percentage of whatever they collect?

Mr Zisser: Management Board has signed contracts with each of the collection agencies, and it's my understanding that there is a percentage that the collection agency receives for collection and the balance of the money comes to the province. So it's a percentage.

Mr Maves: Do you know what the percentage is?

Mr Zisser: My understanding is that it varies by collection agency. There are five different contracts.

Mr Maves: Are they public numbers?

Mr Zisser: I don't have the numbers.

Mr Maves: So this is the first fiscal year for this, or do we have any numbers yet? Have we exceeded, in this arrangement, the \$4 million that was there in the last year?

Mr Zisser: Certainly we've exceeded it. The collection process started in January 1999, so in the first three months of collections, because that was all that was left in the 1998-99 fiscal year, recoveries were \$21.2 million.

Mr Maves: Wow.

Mr Zisser: This would have included some recoveries that were made under the previous arrangements. Then this year—that is, from April through to January—so far \$35.7 million has been recovered.

The Chair: We'll have to leave it at that.

Mr Maves: OK. I'll pick up, when you leave, some background.

The Chair: I think Mr Peters has a comment about that.

Mr Erik Peters: If I may make a comment on that, Mr Maves, with your permission, could the information also be supplemented by the value of the accounts turned over? I believe the value of the accounts turned over by the ministry to CCS and then to the private sector collection agency—am I not right that there was a hiatus, there was a time period where you couldn't turn over accounts to CCS, so that this \$4 million may be a particularly skewed number? To give you a little bit of a history of how this works, it may be worthwhile to relate the value of accounts turned over for collection with the collection year by year.

Mr Maves: Wouldn't the accounts be cumulative also? Aren't we trying to get the money from previous years?

Mr Peters: We are, but I think there was a period of time where CCS was in a hiatus, where they were not in a position to accept accounts. So various collection years were affected.

We reported to this committee, actually, when we dealt with CCS, that there was a year, and I believe it was 1998, when collections virtually dropped to 50% of their normal volume because they had real problems in getting information across. It wasn't just this ministry; it was the relationship of the Central Collection Service of the government with everybody else in the government. That's why this information may give you a clearer picture of the success.

Mr Maves: Do you know, Auditor, since you did this audit in 1997, what the previous annual numbers were for recoveries?

Mr Peters: Since 1997, did we audit this particular area?

Mr Maves: No. You audited in 1997. In the years prior to that, what were typically the annual recoveries that were being made in the old system?

Mr Peters: They are in one of my annual reports. I'm not sure up to which date we reported, offhand. I don't recollect.

The Chair: But does the ministry have the figures as to how much you collected in the years prior to 1998?

Dr Christie: We don't have them with us at the moment, but I believe, in discussion with Helmut, that what we can assemble is the annual dollar recovery versus the cumulative amount outstanding for recovery.

The Chair: Could you table that for the committee?

Dr Christie: Yes, we can.

The Chair: The other question that Mr Maves asked: Do you have the amount that was actually turned over to the collection agencies for collection?

Dr Christie: Yes. That should be part of the total out for recovery, so we'll identify what's available and we'll provide everything that's available to the committee.

Mr Patten: Good morning. I'm just going to ask some questions in the first round related to your report, and then I have some others from the auditor's report for clarification.

The performance agreements with institutions are related to the OSAP arrangements, right? This has nothing to do with the certification or the licensing of the private vocational schools.

Mr Zisser: That's correct.

Mr Patten: OK. Now, what is the interrelationship with the office that does the licensing and certification, which to me is part of the root cause of the problem of the manner in which many of these loans have been managed by some of these institutions? The reason I say this is because my riding is in Ottawa Centre and I have a fair number of downtown, private vocational institutions, and they are coming in in droves. Perhaps that's an overstatement. Many of them are continuing to operate and are establishing new offices because of the high-tech sector in the Ottawa area. Therefore, the standards of acceptance for licensing and certification are important, because many of these institutions have high fees, \$18,000 or so, and part of their promotion for attracting students is, "We will help you get a loan if you are in financial need." That's promoted quite stridently in a number of instances. I could provide some examples of that; you probably have this. In your attempt to be more stringent in putting pressure on them for their obligations related to student loans, is there not a relationship also in terms of the continued growth of this particular sector?

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Mr Zisser: The licensing of a private vocational school takes place pursuant to the Private Vocational Schools Act. That act is a piece of consumer protection legislation which is intended to ensure that there are some minimum assurances to the consumer for a school which is in the for-profit business of providing vocational education, that is, education that leads to employment in an occupation. Those assurances are essentially around the facility: that there has been a fire inspection, for example; that there is a curriculum; that there are instructors who meet certain minimum standards; and that the school has posted a bond in the event that a student is not satisfied with their program and wishes a refund. The act specifically sets out conditions under which a student can have a refund and the rate of refund they are to receive.

Essentially it's consumer protection to get a refund if you're not happy with the product.

The student assistance program, then, sets further conditions in terms of what constitutes post-secondary education. Generally the definitions we use are definitions that are used in other provinces: that the program must be a minimum of 12 weeks in length; it must lead to a certificate, diploma or degree; it must serve individuals who have completed grade 12 or have mature student status; and the institution must be licensed or recognized in some manner. Those are the entry requirements.

The performance requirements set a further set of conditions on the school with respect to the due diligence that the ministry expects if an institution is going to participate in the student loan program. Those requirements are essentially around making sure that students have been given proper information about the loan program, that the application is carefully screened by the institution, that the supporting documentation is carefully reviewed and that the institution then adheres to requirements with respect to students' attendance at the institution and students making academic progress in order to maintain their benefit. The agreement we sign with institutions is around good management in terms of the administration of the student loan program.

Mr Patten: Is there any federal legal tie-in here, or is it all provincial?

Mr Zisser: The regulation of the schools is a provincial matter. There are entry requirements for schools to become approved for OSAP as well. We require a school to have been in operation for a minimum of one year before we will extend Canada student loan eligibility to the school. The school must then administer that appropriately for a minimum of two years and there must be an audit completed that verifies the administration was properly carried out. At that point they can be considered for Ontario student loan designation.

Mr Patten: On the issue of income verification, you talked about a double-check a year with the CCRA for incomes reported by students, parents, spouses and whoever else in between.

The confidentiality or accessibility to the files, does this remain always with the students? My point is, for parents who are perhaps making contributions or are part of the—the file of parents is available for the program, but do the parents have access to the student's file in terms of whether their payments are being made or anything of this nature?

Mr Zisser: No. The ministry is governed by the freedom of information and protection of privacy legislation, and we seek from the student a proper release with respect to accessing their taxpayer information. We seek similar releases from parents and spouses. There is no practice of sharing that.

Mr Patten: No, I meant that the other way around. I'm sorry. I meant, can a parent find out whether their offspring, the student, is fulfilling the obligations of repayment of a loan?

Mr Zisser: Not from us.

Mr Patten: From anybody?

Mr Zisser: Since the loan is with a bank, it would be whatever banking policies are. I would imagine in most cases that banks would not be revealing information from their clients to anyone else.

Mr Patten: OK. That's a little unfair, it seems to me. But anyway, I won't comment on it now. I'll speak to my son.

The Chair: Would you like to declare a conflict of interest there?

Mr Patten: No, no. I'll speak to the bank.

In your section under "Increased Accountability for Students," requiring submissions or receipts for child care, in this whole area of child care, the support for students for child care purposes, have there been any changes in the application of support? I continue to hear especially from women who are saying they want to go back to school and what is calculated as income—the loans, for example, are calculated as income, which immediately makes them inaccessible for child care support. Is that true or is this old information? Are we still having difficulties with this?

Mr Zisser: Assistance for students with children can be provided in a number of ways. First of all, the loan program itself will recognize the number of children a student has in terms of providing additional assistance, depending on number of children. The assistance for the first two children comes through the loan program itself. In addition to that, the ministry has a bursary program to provide assistance with child care, and that is for the third, fourth and fifth child. There is also a Canada study grant for students with dependants that essentially works by replacing a loan with non-repayable bursary assistance for students with children. All of those mechanisms are there to assist students with their child care costs.

Mr Patten: If we can construct a little case, let's say here's a single mom with two children. She wants to go back to university and is on welfare. Tell me what happens in that case. She's saying: "If I can get support for child care, that's the major problem and stumbling block for me. But I'd need a little bit of OSAP money."

My understanding is the OSAP money is considered in the application as income rather than a loan, and that's added to the welfare amount and therefore there is a question of eligibility for child care support.

Ms Zisser: So you're not talking about how OSAP provides support to students, but how OSAP relates to child care programs at the municipalities.

Mr Patten: Yes. What's your experience? I don't fully understand where the problem is, but people are saying there is a problem there. It's not quite as clean as what it seems. Are you saying that if somebody is on welfare and they need child care, they should not talk to the municipality at all about child care; they should be incorporating that need assessment as part of their discussions around the OSAP grant?

Mr Zisser: OSAP certainly builds it into its need assessment. For example, for students with one or two dependent children, we would be providing them,

through the loan program, \$40 per week per child, or \$83 per week per child for sole-support parents. That is simply built into the assessment—

Mr Patten: That's a grant, though; it's not a loan.

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Mr Zisser: For the first two children it's part of the loan. Since many of these individuals will end up with loan funding in excess of the \$7,000 for two terms, in effect it turns into a grant when they complete their studies. Those individuals who have more children will now be eligible to receive the child care bursary for the additional children.

Mr Patten: All right. This is perhaps part of the same thing, the "Increased Contributions from Students with Assets" section that you referred to, and you said assets include vehicles, bank accounts, investments, RRSPs, level of eligibility. The level of eligibility, first of all, for an OSAP grant in terms of income was \$900? If someone makes more than X amount a year, part-time or whatever, obviously part-time in most cases—where do they not qualify? What's the level of income?

Mr Zisser: OSAP always looks at a student's need and it calculates the need first by looking at the student's education costs. It would look at their tuition fee, their ancillary fees, book costs and so on. It will also then calculate a value for living costs, things like child care and so on. So it creates a figure for costs.

On the other hand, it looks at the student's resources. When it looks at resources, it looks at the 16 weeks leading up to the study period and asks, "How much is the student making there?" and it expects some contribution from those earnings. It would look at any resources that a student might have during their study period: For example, are they receiving scholarships, grants, bursaries? Do they have part-time employment? Then it makes a calculation based on those two factors to determine whether the costs exceed the need, and to the extent that the costs exceed the need, the program is in a position to recognize that up to certain pre-established levels.

In the case of the study period contributions, the program currently exempts the first \$600 of resource, and then for every dollar beyond that will consider 80 cents of that as a resource to the student's education.

Mr Patten: How did you arrive at \$600?

Mr Zisser: That is the Canada student loan national policy.

Mr Patten: So that's the reason. What's the rationale for it? It's a pretty feeble number. It's a ridiculous number, really.

Mr Zisser: My understanding is that there were extensive consultations taken by the federal government back in 1993-94, where they looked at various models of doing this, and this was the policy option they adopted based on that.

Mr Patten: OK.

The Chair: Ms Martel now. We'll be going five minutes over because of the earlier intervention, so you've got your full 18 minutes.

Ms Shelley Martel (Nickel Belt): Thank you for coming today. Before I ask you some questions, though, I wanted to make a comment about the collection efforts because I saw Mr Maves's eyes light up when he heard how much those private collection agencies were taking in. I think it's incumbent upon me to go back to what the auditor said in 1997 about collection agencies, because we dealt with it at the time, and it would be relevant if the researchers could get some additional information.

In his 1997 annual report the auditor said, "There has been a serious lack of student loan collection activity during the last year, primarily because Central Collection Service"—which is government—"experienced a 50% reduction in staffing and had not accepted new loans for collection since May 1996." The status of the accounts at the end of October 1996 as reported by the auditor was that there were 45,000 claims, \$99 million worth in default. So the issue really is, what went on in government in terms of collection, if anything, from May 1996 until these files were turned over to private collection agencies in January 1999? The fact is that there were no loans being collected from any source, not just OSAP but AG as well and other ministries, where there was no work going on at all.

If we're going to make a valid comparison about the efforts of the private collection agencies versus perhaps the efforts of government staff, we would probably have to go past 1996 and into 1995 and 1994 to get some idea of what was actually going on in that branch, because it was clear there was nothing for what may have been a two-year period.

On the collection agencies, though, to the ministry—and perhaps you can't provide this information because the contracts are not directly with you but with Management Board—I would really like to know why we'd have different percentages of collection with the different collection agencies. I can't even understand why the government would set a different rate, in terms of percentages, with each collection agency. Do you have any idea of how that was arrived at?

Mr Zisser: Through a competitive bidding process.

Ms Martel: I understand that they might have been chosen through a competitive bidding process. I'm wondering why the government would actually set different rates of repayment to private collection agencies. Why would they not have a set percentage? If you collect a set percentage, a set percentage comes back to the government and a set percentage goes to all five collection agencies. Why the variation between collection agencies?

Dr Christie: I think probably the best way to address your question is for us to talk to Management Board and determine what, of those processes—some of them may have been commercially private—we can bring forward in answer to that question. This was a process undertaken by Management Board.

Ms Martel: When you're talking to them, if you could, just to be clear on what I'd like to see—I think the auditor already mentioned it—the total value of the defaulted loans that went to the collection agencies. I'd

be interested in knowing why there are variations in percentages, but also the percentage that the government has received then from the five contracts, and the percentage that the private collection agencies have received as a result of the five contracts as well, so that we have those figures.

Let me begin by asking some questions with respect to your presentation. On page 22 you talked about the ability of individuals to apply for OSAP through the Web site. If I might, Mr Zisser, you mentioned a couple of times that if they do it that way it's free, which leads me to the question of, what is the fee for a student who wants to use a paper application to apply for OSAP?

Mr Zisser: It's \$10.

Ms Martel: If you call OSAP as a student and request some information—perhaps what's happening with your loan, whether it is going to be processed—is there a fee for that as well?

Mr Zisser: There is no fee if you call the regular telephone number; there is a fee if you call the 1-900 service. However, students who are attending Ontario institutions who want information about their loan are encouraged to deal with the financial aid office at their institution. Those financial aid offices all have direct access to the students' information. All of the public institutions have on-line access to our computer system and are in a position not only to provide information to students but to actually serve students by processing whatever transaction is required.

Given the large number of students that we're trying to serve and also the very real issue in terms of all students wanting service on the same day in the year, we need a system that distributes that work across to the financial aid offices. They are also in the best position to actually know the student's full set of circumstances and provide a complete service.

Ms Martel: What's the cost for the 1-900 line?

Mr Zisser: It's \$2.

Ms Martel: I didn't really understand the difference between the 1-900 line and a regular call, so maybe you'd better explain that to me. Who would use the 1-900 line?

Mr Zisser: The 1-900 line is a way for a student to gain access to their account information. It's a voice interactive system that allows students to input their security code and, with that, to then obtain access to the status of their loans. So from a telephone they can find out: "Did you receive my application form? Did you assess it? What is the amount of loan? Are there errors on it? What are they? What do I need to do next? Do I have loan forgiveness owing to me?" and so on.

That same service is available through the Web, presented in a graphic form. Students would again have to enter their personal identification number to access the information.

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Ms Martel: I still don't understand why there's a fee for one telephone call and not a fee for another. You can get virtually the same information. In one case you'd

have to wait to talk to someone, a live body, but you essentially are asking for the same information, essentially the same student. Why is there a fee for one call and not for another?

Mr Zisser: The students we generally serve through Thunder Bay would be students who are studying out of country, where we're acting as their financial aid office, or individuals who have inquiries that are not specifically related to the current year's application. What we are trying to do is to encourage students to make use of the financial aid office at their institution for those purposes or to serve themselves by going to the Web or going to the 1-900 service.

Ms Martel: If the student is appealing their OSAP loan, who are they generally calling? Their financial aid office or OSAP in Thunder Bay?

Mr Zisser: A student who is asking for a review—that's how we refer to an appeal at the first stage—is dealing with their financial aid office. Financial aid offices have been delegated the authority to handle those issues. If a student then is still not satisfied with the outcome of that, they can move that forward to the OSAP Appeal Board. In that case, they would then be dealing with our secretary who handles those issues for the board here in Toronto.

Ms Martel: Can I ask how many students would have to use that mechanism, would have no choice but to call you in Thunder Bay with respect to that?

Mr Zisser: With respect to?

Ms Martel: The OSAP Appeal Board.

Mr Zisser: Total appeals in 1999-2000 were 82, I believe.

Ms Martel: So it's only those people who would be at the board who would have no choice but to call you in that circumstance, those 82?

Mr Zisser: That's correct.

Ms Martel: Let me ask, when did you implement the policy of fees?

Mr Zisser: I believe the \$2 fee was implemented around 1998-99.

Ms Martel: And the \$10 fee?

Mr Zisser: Sorry, the toll charge line was introduced in November 1996 and the \$10 fee was introduced in 1998-99.

Ms Martel: Can you tell me, how much has been collected in fees thus far between the toll charge and the \$10 charge for a paper application for OSAP?

Mr Zisser: In 1996-97 the net revenues for the \$2 toll line were \$46,535; in 1997-98 they were \$332,845; and in 1998-99 they were \$311,512.

Ms Martel: So somewhere in the order of over \$700,000. My math is not great. But just quickly, \$680,000 maybe. Can I ask where those fees go.

Mr Zisser: They are directed to the consolidated revenue fund.

Ms Martel: So none of these fees go back into post-secondary education at all. A full 100% of the fees collected go directly to the consolidated revenue fund.

Mr Zisser: That's correct.

Ms Martel: OK. Let me go back into your presentation as well. On page 9 you talked about reducing student loan defaults. You had the loan default rates and you gave us a number of figures through 1996, 1997, 1998 and 1999. For 1996, just to use it as an example, you said the default rate was 18.6%. I'm not clear what that 18.6% represents. Is it the total number of students who applied for and are in receipt of OSAP in Ontario at a particular time? How do you arrive at that percentage?

Mr Zisser: We use a cohort method to do that. So for 1996, we used the 1993-94 cohort of students who would have completed their studies, and then two years after that point we measured to see, have they repaid their loans or not? So the base number is the number of students whose final year of study was 1993-94, and then the defaulters are, of those students, the ones who have two years later not—where we have paid the claim on the loan.

Ms Martel: So it's been paid out already. Do you have the actual numbers to match against the percentages?

Mr Zisser: Yes. I don't have the 1997 rates. We do have those numbers; they were published. I just did not bring that half-inch of paper with me.

Ms Martel: There are two things I'd be interested in: one, the number of students that is represented by 18.6% and, second, the monetary value that the 18.6% represents, what is the monetary value in terms of defaulted loans.

I ask this because in his 1997 report the Provincial Auditor looked at the trend in student loan defaults as part of his review, and he provided a graph in that report that went up to 1996-97, but clearly stopped there because he reported in that year.

The increase was quite dramatic in the default: In 1994-95, the total cost of defaulted loans was in the order of \$21 million; in 1995-96, it was \$35.3 million; and then in 1996-97 it jumped to \$62.6 million, a dramatic increase, almost double, in one year. I would be interested in knowing then what the total value is. While the minister has said recently that we're reducing our loans, she didn't give the figures. So I'd like to know how dramatic the reduction is and if we're only slowly climbing down from what was a very high period of defaults noted in 1996-97.

Mr Zisser: The only year I don't have is 1996-97, but we can certainly put together that series of numbers. It would have been included in the ministry's estimates.

Ms Martel: That would be helpful, if you could go back. You see, we have the information already up to and including 1996-97. The information we have includes the average value of the claims, the number of claims, and then the total cost of the defaulted loans. So if that's a pattern that you can work with, that was already presented by the auditor in his 1997 report. If we could have the same comparisons for the balance of the years, that would be very helpful.

On page 10, you were talking about reducing student loan defaults and you listed a number of strategies that

you're using. I was interested in the second one in particular, that institutions are to share the cost of high-default programs, and you mentioned established thresholds with respect to that item. I didn't catch all of the information, so can you explain to me a little more fully: Is it a different threshold per institution? What percentage is it of potential defaulted loans? How do you arrive at the calculation? And is it different institution by institution?

Mr Zisser: The thresholds that were established are the same for all institutions, and in the first year of the policy, the threshold was set at 38.5%. So institutions that would have been affected by the default sharing policy would have had to have a default rate of at least 38.5%. Any institution that had a default rate below that was not affected by the policy. At those institutions that had a default rate in excess of 38.5%, the ministry would have made a calculation as to the amount of loan that would be affected and the institution had the option of either posting some form of security for that amount or discontinuing one of those high-default programs that may have been putting the institution above that threshold.

Ms Martel: I'm sorry, did you give us, when you were speaking on this page, the number of institutions that found themselves in that position?

Mr Zisser: No, I didn't, but I know we have that information somewhere.

The Chair: That will be the last issue. We've gone through the time period.

Ms Martel: Can we just wait for the response?

The Chair: Sure, we'll wait for the response.

Ms Martel: You can bring it back to us later, if you'd like.

Mr Zisser: I know we do have a count of how many institutions were affected by that.

The Chair: OK. The one question that I have arising out of that is, have you actually collected on any of the securities that have been posted, or is this a matter that has been left in abeyance to see what's going to happen over the next number of years as far as the default rate with those institutions is concerned?

Mr Zisser: The policy was not retroactive, so what the postings relate to is the class of students that would be starting in that year. The calculation would then be done for that class of students when they had finished their studies two years after. So the first time that we will be looking at that issue will be next year. The purpose of the security, of course, in the case of private schools, is to make sure that there is some security there.

The Chair: Right. Thank you very much. We will recess, then, until 1:30.

The committee recessed from 1203 to 1335.

The Chair: I would like to reconvene the hearing on the Ontario student assistance program. We're back to the government side for 20 minutes of questioning.

Mr Maves: I'm just going to try to pick up where I left off, actually. I had asked questions about the recovery rate, if we could have some numbers of what previous recovery rates had been by the ministry and

what they are now that the collection agencies have taken over. I just wondered if you had any opportunity to get those numbers over the last hour and a half.

Mr Zisser: I think we have determined that we don't have recovery rates per se at this point, simply because we haven't been able to do such calculations and such calculations have not been provided to us either from the collection agencies or Management Board at this time.

Mr Maves: I had it pointed out to me in the auditor's 1997 report—I think it was in the 1997 report—that where he did an audit of the CCS, the collection service, he was unable to even come up with any numbers of what was being recovered on an annual basis in previous years. I don't know how many of you were there at that time, but that's quite disconcerting to me as a member of the government, that the ministry couldn't even provide numbers on what they had recovered once the CCS had taken over the debt. I wonder if you have any comment on that.

Dr Christie: None other than that some of the reforms undertaken at Management Board to deal with collections and the collections process were undertaken for that reason, to improve the process, and we have a more centralized and better managed collections process. In terms of the particular numbers you're asking about, we are following up with Management Board to secure the numbers.

Mr Maves: I appreciate that.

Continuing along, quite often I hear the banks, when we talk about OSAP and Canada student loans—and I'll review it again. Banks lend the money to the students. We pay them the interest on it when the students are in school. We then pay the interest six months before the students have to pay it back. After 90 days, if it's defaulted on, we pay the bank. The banks often complain about being involved in this system. What is the downside to the banks in the system? Is there one?

Dr Christie: I think the downside to the banks overall has not been their involvement in the Ontario side of the student loan process.

Helmut pointed out earlier that Ontario is one of only two provinces that were not under the same loan system as the federal government over the last several years. The arrangement the federal government had with the banks was basically a 5% default arrangement whereby they paid the bank 5% based upon an estimated default rate, and then the bank was responsible for collecting. As it turns out, defaults were considerably higher than 5% across the country. That hit the banks rather than the federal government. A number of banks through that period were very unhappy with the amount of money that it was costing them, and in fact indicated that they would not continue the student loan arrangement under those conditions, which is in part why the federal government has been renegotiating the structure of the arrangement.

Mr Maves: If the system that we have right now with the banks is so, to me, safe and lucrative for banks—not only that, but they pick up clients because a student may take a bank account with Scotiabank and be there for four

years, and even after they default and nothing happens to them, they probably will still end up banking at Nova Scotia. So I know that part of the rationale for banks being involved in this is that they get a client base. Considering how lucrative the system is right now for the banks, I'm just wondering if the ministry has considered negotiating ourselves a different deal, perhaps even by tendering it to the banks and saying: "Look, if you want this business, let's tender it and you come up with a process whereby we're not getting dinged for so much of it, but you're still going to get a benefit." Have we ever considered doing something like that?

Dr Christie: That's the kind of activity the ministry has been undertaking in the last couple of years. I will stand to be corrected by the people who are more directly involved, but there was a tender to the banks for a redesigned loan program a year or two or 18 months ago, I believe, on which we did not receive attractive responses. At that point we began discussing with the federal government their negotiations with the banks for a revised loan arrangement. One of the things that people told us would result in a better deal for taxpayers in Ontario was a harmonized arrangement with the federal government that simplified things for students and lowered administrative costs for the banks, and hopefully we would be able to capture some of that benefit in a better loan arrangement.

That is what has been done over the last year or so, and as Helmut noted, last May there was in effect an agreement in principle signed for a harmonized federal-provincial loan arrangement that would have somewhat more attractive features.

Mr Maves: I take, then, based on the federal set-up that we've done the calculations and said, "If it cost us 6.95%, but we no longer had to swallow the defaults that we do, we'd be better off." Have we done those?

Dr Christie: We have done those calculations. Again, depending on the default rate and how it's structured, we could certainly be better off. As Helmut noted, the default rate at the moment is around 18%. Default rates below 18% will certainly be to our benefit.

Mr Maves: I guess what hangs over it is what the ultimate performance is of the contracting out of the debt recovery. If that vastly improves the picture for us, then giving the banks 6.95% or whatever it is up front may be less attractive to us.

Dr Christie: I'm not an expert on the collections process, by any stretch of the imagination, but what people have told me is that once a loan goes into collection, your chances of material recovery on the loan are not great; that the best way to recoup value is to keep the loan in service and in payment. You're likely to have a better outcome that way.

Mr Maves: How long after a collection agency gets a debt from us now will that debt remain on the books? Can they go after it forever? Is there a certain point in time where a person can resurface and no one will go after them for that debt? Any idea how that works? I

heard you in your presentation say something about 10 years and that was the bankruptcy law.

Dr Christie: Ten years in the bankruptcy law is how long—and I'm always open to correction from my colleagues here, but my understanding is that at the moment a person cannot avoid their student loan debt by declaring bankruptcy. That student loan debt will stay with a person for 10 years, whether or not they declare themselves bankrupt and are freed of other liabilities. That's what I believe the 10-year period refers to.

On the collection side, as we noted this morning, I don't know the details of the agreements with the collection agencies, so I don't know the answer to how long they would pursue a loan. It would be my expectation that, given the costs of pursuing a loan, there will come a point where it will not be worth their while to continue spending money pursuing a loan on which they're not realizing anything.

Mr Maves: As a layperson I almost can't understand, when someone owes a debt to the taxpayers of Ontario, why it wouldn't be rather simple for us to collect that debt, assuming the levers that we should have available to us: garnisheeing wages, garnisheeing tax returns, limitations on reissuing of their licence and so on and so forth. I think most Ontarians would be astonished that a government has so much difficulty recovering debts owed to taxpayers.

Dr Christie: Over the last several years, the ministry and government have extended the range of instruments that they employ for exactly the reasons you cite. Because of the difficulty that one has, we have put into place, for example, the arrangement with the federal government on income tax set-offs. Where someone is getting money back on their tax return, we'll have a prior call on that against the student loan. But even there, there are conditions on that. If the person's income is very low, Revenue Canada has, in effect, a hardship test and they won't off-set the tax return against someone whose income is very low. Now, in many cases it's likely to be a person with low income who's unable to pay off a student debt. None of these vehicles is a guaranteed route to it. It's often difficult if a student moves out of province etc. Through ways other than national level means, like the income tax system, it is very difficult often to even track someone down if they have moved to another province and don't need an Ontario driver's licence any more.

Mr Maves: I notice the Queen's University table; 21% of their mathematicians default on their loans. I guess the math makes sense for them to default. The other one, you'd think there was a moral obligation to pay, but those in theology have a 16% province-wide default rate.

Mr Patten: In God's hands.

Mr Maves: Lawyers have 8%. I guess they know the law well.

The ICL, income-contingent loans, have you continued to pursue that or have we decided it's so impossible

to get an agreement with the feds that we're not going to spend any more energy on that?

Dr Christie: We certainly pursued the feds vigorously on classic income-contingent loan programs, and there were strong features of that in what was tendered to the banks some time ago. We've preserved a number of features of that in the harmonized agreement with the federal government, which contains features whereby indebtedness and payment history is reviewed several years—is it five years, Helmut, or three years in?

Mr Zisser: Five years.

Dr Christie: They are reviewed five years into the repayment period, and depending on the person's income, there may be additional forgiveness at that point in the repayment period, the theory being that if people are not generating the income to pay the loan, it's foolish to force them into bankruptcy when they aren't going to be able to pay it anyway. So there is that form of income-contingent loan relief built into the harmonized agreement with the federal government.

Mr Maves: Have you looked at any processes used by the other provinces? Are any of them more successful, so that we should be adopting some of what they're doing? Are any of them contracting out that repayment?

Dr Christie: I'll ask someone else to address the loan repayment piece. Most other provinces, on the student loan side, had functioned under this 5% deal that the feds had with the banks. Therefore, the defaults were the banks' problem and not the province's problem. The banks made it very clear that that will no longer be the case. They won't engage in a student loan program under those conditions. So it would be my expectation, at least with respect to student loans, that because we've had to deal with them longer, we would likely have a more thorough process than other provinces did which are just beginning to have to think about having to deal with them. But I'll ask any of my other colleagues, who might have a better feel for what other provinces do, to comment.

Mr Zisser: The other provinces that are under the risk premium are, as the deputy mentioned, not in this business, because the debt is essentially being handled by the bank.

Mr Maves: The last thing I wanted to ask—I know Mrs Munro has a question and Mrs Molinari has one—the Credit Valley seemingly scam. Can you explain what went on there, and what are we doing about it?

1350

Dr Christie: The Credit Valley case—I'll ask Helmut to comment as to where that is with the courts at the moment, because I'm just a little leery depending on where it is in the courts.

Mr Zisser: As we understand, it is before the courts right now, so we shouldn't be talking about the particulars of the case. We could certainly talk about the steps the ministry is taking to make sure it properly administers OSAP and also the steps we're taking to make sure we've learned from this experience in reviewing our processes.

Dr Christie: Helmut might also want to comment on the general practices of the ministry in instances, not necessarily this particular one, where questions are raised with respect to occurrences at an institution, including the administrative practices followed.

Mr Zisser: The program relies on post-secondary institutions for delivery of OSAP, so the accountability framework we have really relies on, first of all, a clear set of requirements, which we have in place through the performance requirements. Those requirements also set out consequences in the event that there's a failure to comply, and we do monitor that through the audit process so that there is an annual basis for us to be able to determine: Is an institution complying with this?

In addition to that, one of the things the ministry does is that we do monitor, and we do that quite frequently now, any trend changes in terms of school performance. We look at factors related to patterns in enrolment, patterns in withdrawal, changes to tuition and so on.

Mr Maves: I appreciate all that. I'm going to finish. Then, Chair, maybe if we've got about three or four more extra minutes, my colleagues could ask their questions and then we would probably be done for the day.

We're pursuing Credit Valley in the courts and—you nod your head; thank you. OK, I'll leave it with you, Ms Munro.

Mrs Munro: I want to come back to the issue of harmonization, just for my own clarification, to be able to understand where the federal government has now indicated that they wish to move from the 5% to I believe 6.95%.

We were talking about the default rate currently standing at 18%. Is that correct? The ministry's objective is to reduce that to 10%. That's my understanding. I just wondered, following along in the conversation you had with Mr Maves, whether as part of that negotiation there would be an opportunity to revisit any agreement in light of changes in the default rate. Do you see that as a factor that would influence the position being held by the bank and, obviously, the point of view of the province in any ongoing agreement, not only the harmonization but, as a kind of subset to that, the relationship with the bank?

Dr Christie: Perhaps I could just make a general comment and then ask Helmut to deal with it further. It's important to understand, at least as I understand the harmonized deal, that the bank does not take all the risk above 7%. There's a 7% threshold, if you like, for the system. If the system as a whole runs defaults at 20%, then system-wide the difference is still to the cost of the sponsoring governments. But where the banks are at risk in this system is that if the system-wide default rate is 7% and bank A manages to secure 5% as defaults on their loans, they get to keep the improvement they've made, but if instead it's 9% for that bank they have to pay the amount above the system average. But if the system as a whole produces differently than the 7%, then overall that cost is charged to governments. Banks are not bearing that risk.

Mr Zisser: Banks are looking to governments to take measures to improve the performance of the program. They're not happy with some of the situations that have developed in the past regarding student loan default. So the federal government, in the period leading up to their renegotiation of their agreement—because they had a five-year agreement and it expires this July 31—paved the way for some of that in terms of starting to take steps to make sure there were adequate instruments in place to assist students who were in repayment difficulties. They had introduced an enhanced interest relief program. They had introduced a debt remission program. They have certainly encouraged provinces and worked with provinces to look at other steps we could take along this route as well, because the first preference is that we continue to have arrangements with banks.

Mrs Munro: I guess what I really wanted to know was whether any change in the provincial default rate would have any impact on the potential relationship with the bank and the way in which the bank would view its responsibilities in this agreement.

Dr Christie: To the extent that the province's actions result in improved default performance, that will be favourable for the banks; they won't make any money on it as long as it benefits each of them equally. Those who will benefit from a lower default rate will remain the taxpayers. If the default rate drops low enough, that will also benefit taxpayers; banks won't get the benefit of that. But there is an overall benefit to banks in being involved with fewer defaulted loans.

The Chair: Just so I have a clear understanding, when you're talking about default rate are you talking about the dollars in default or are you talking about the number of payers in default? Is it a dollar value that you're talking about or the number of loans?

Dr Christie: I believe it's the number of loans, Helmut?

Mr Zisser: If we're talking about the risk premium, the calculation made there is based not on the defaulted loans but actually the number of loans going into consolidation. So at the time loans go into repayment, this insurance payment is in effect made. The calculated rate that the media has reported on is one that the federal government has developed in its work with the banks as one that reflects the current trends in default. It already factors in the fact that we're making some improvement, that there are these measures in place to assist students in loan repayment and so on; otherwise, the rate would have to be higher.

Mrs Molinari: My question is on the harmonization again. I want to try and put this in very simplistic terms, because it's confusing when we're talking about percentages and we're not clear on what exactly that means. First of all, with the agreement we now have, harmonization, are we bound to the same agreement that the federal government has with respect to the percentage we pay?

Mr Zisser: What the agreement does is give us access to that rate the federal government is negotiating. The federal government is in a better position to get a good

deal than we are in a situation like this, so one of the benefits we can get as provinces is access to this type of arrangement.

1400

Mrs Molinari: OK. When we say that our default rate is 18%, are we saying 18% of the total dollars that are loaned, or are we saying 18% of the defaults?

Mr Zisser: The calculation of defaults, as we report them, is the incidence of students defaulting, not the dollar value of the default.

Mrs Molinari: The 18% is not in dollar terms, but the 6.95% that is paid to the bank is in dollar terms. It is 6.95% of what?

Mr Zisser: Of the loans going into consolidation, that is, the loans where students are due to make repayment. It's the face value of those loans at the time they are due for repayment.

Mrs Molinari: It's approximately 7% of all the loans, not the defaults.

Mr Zisser: That's correct.

Mrs Molinari: Moving to a different topic, the auditor mentioned that the loan forgiveness has been phased out and we have other things that we've put in place for that. I need some assurance that what has replaced that is of benefit to the students and allows more accessibility for a greater number of students and that is the reason that was replaced. Could you please comment on that and reassure me that's in fact the case.

Mr Zisser: The loan forgiveness program conferred a benefit on students that many students were quite unaware of. The way the program operated was that at the time a student completed their studies and the loans went into repayment, the ministry would make a calculation to determine how many terms the student was in school and then, based on that, calculate the amount of debt that the government would repay. Since 1997-98, the loan forgiveness level has been set at \$7,000. So if an individual had a debt of \$10,000, the student would be required to repay \$7,000 and the ministry would remit \$3,000 to the student's lending institution to reduce the debt.

Given that it was paid at the time students finished their studies, many students would have formed an opinion or impression that they were carrying very large debt, because they might be getting statements from their banks indicating their cumulative loan debt and there's no reference on that to loan forgiveness. It wasn't uncommon for students, first of all, to have an erroneous sense of the amount of debt that was there, and also the government was paying the interest on these amounts. So the decision was taken to change this program so that the debt reduction would happen annually. This has, again, two significant benefits; one is that for the student it gives them a realistic sense of their indebtedness. They now know that their debt for two terms of study is only \$7,000 for that year of study and not some larger amount, even though we may have lent that student vastly larger amounts of money. We actually save money in terms of the interest we're not paying. I think it's an improvement

both for students and in terms of the value that taxpayers get for the program.

Mrs Molinari: As far as dollar amounts going directly to the students, what is the difference?

Mr Zisser: The amounts would remain the same, that is, the threshold of forgiveness has stayed at \$7,000. So in the same case of the student who had a \$10,000 loan, they would see \$3,000 of that paid at the time they finish that year's program of studies. It is a completion grant, so it does require the student to finish their studies for that year, and we do carry out the income verification before making the payment. We had also started to do that for the last year of the loan forgiveness program.

Mrs Molinari: Just so that I understand correctly, then, the program that's presently in place is not giving any of the students less money in dollars as the loan forgiveness program?

Mr Zisser: It's paying it more promptly and giving the student a much better understanding of what their debt is. We've instituted a few additional steps to make sure that students understand this is occurring. We send a notice to the students in advance of making the payment to advise them that this is going to happen and also to give them an opportunity to make sure the amounts of loan we have recorded are correct or to take steps with their lender to make changes that are required. We also confirm to the student when we have made the payment, so that they understand their debt has been reduced for that year.

Mrs Molinari: So in dollar amounts, the student is receiving the same thing as with the other program, but with this program the province is in fact saving money because of the interest that's not paid on the ongoing rate because it's paid on an annual basis. So we're saving money in not paying that interest. Is that correct?

Mr Zisser: That's correct.

Mr Patten: I'm going to look at it a little bit from the student's point of view. There's no question the percentage of enrolment has gone up, even in the university-college sector, let alone the private vocational schools, which I think probably would have the most dramatic increase. What's the relationship between the student body growth and the percentage of students who are now borrowing?

Mr Zisser: As I think I mentioned earlier, about 40% of Ontario students are receiving some form of assistance from the Ontario student assistance program. If you break that down by colleges versus universities, in the case of universities for 1998-99, which is the last year for which we have this information, 37% of full-time post-secondary enrolment students were receiving assistance from OSAP, compared to 50% for college students in that period. In the 1997-98 year, those numbers were quite similar, 39% for university students and 53% for college students.

Mr Patten: You just have a two-year period. What's the trend? Does this suggest that less of the student body is now using the program or the government programs?

Mr Zisser: There have not been any very significant shifts. This is a data series that will move a little bit from year to year, but it has remained relatively constant.

Mr Patten: During lunch I made a few phone calls to some of the student federation offices. Of course, you've heard their overall concern, which is that no matter how you cut it, more and more people are walking out of—if they graduate, and even if they don't graduate, they still have a mortgage. They're leaving their university or college or course of education with no house but a mortgage that they have to begin life with, and some of it is considerable. I know there's a top-up. You're still talking a maximum of \$28,000, but that's considerably more for a lot of students and that is their major concern.

From time to time you must be meeting with them and certainly the minister or the PAs must be meeting with the federations of college and university students. What's their impact in terms of changes to your program? You talked about new programs that you were examining at the moment. What will that mean in light of the information that students themselves are telling you?

Dr Christie: In terms of the new programs we've talked about, particularly the Aiming for the Top scholarship, it hasn't been introduced yet. We haven't seen the demographic figures of the people who will qualify.

Mr Patten: I'm sorry, what was it called?

Dr Christie: Aiming for the Top. Not having seen the demographic, we don't really have the information to know how to assess what sort of impact it's going to have. It's clearly going to be beneficial, as will the harmonized loan program, certainly in terms of transparency. Of course, in a more cost-effective program there is the capacity to make loans available to a greater number of students. As we look at the enrolment growth coming over the next several years that is something that we're very conscious of as well.

In terms of the advice received from students, as was mentioned earlier, there has been an advisory committee on student assistance. That advisory committee has been reformed and will meet again and continue to provide advice to the ministry on matters around student assistance. Would anyone else like to comment?

Mr Zisser: I would just make the point that students have certainly expressed the desire to see assistance, not only in the form of loans but in the form of grants or bursaries. We certainly have seen a very significant growth in Ontario over the last three years in terms of the resources that are available to provide students with non-loan assistance.

Through the Ontario student opportunity trust fund program there are now \$600-million worth of endowment funds that are generating income that institutions can use to assist students in financial need through bursaries. The 30% set aside from tuition fees also has provided very substantial resources to institutions to assist students. I think what we have is a better balance between the kind of assistance that OSAP provides in the form of a loan, according to its criteria, and the kind of discretion that

institutions now have to assist students in need in a more flexible way through their own resources.

Mr Patten: Aiming for the Top, or whatever it was called, presumably is a program that will either reward or provide incentives for those who can maximize their achievements, whatever that is. I haven't seen the program but my only comment is that the higher achievers tend to have access to scholarships and other forms of remuneration based on merit, in any case.

I want to come to the other side of the program, and that's sole-support students. I'm coming back to the child care support. I think I've just about got a handle on what it means. Here's what I think it means. Let's say it's a mom with two kids, the example I used this morning, and she has the ability to go to university or college and would like to go. She's also got a child care subsidy. When she approaches the college or university they sit down and try to assess her situation. If I'm wrong please tell me, but I gather they take into account that her child care subsidy is a source of income as well, correct?

Mr Zisser: I don't believe we include child care subsidies, but I would have to double check.

Mr Patten: OK. I was led to believe it was. On the other side of the coin, I am told that's a barrier for people in that kind of a circumstance. What they would have to do is convert from what is a subsidy now and welfare income for a living, then take on all of the costs related to tuition, to books, to travel, to whatever it is, and convert a subsidy that was received before to now borrowing for child care. So the child care becomes a cost in the future because it's now on the loan side of the ledger. Is that correct or am I off on that?

Dr Christie: To the extent that child care was included under the loan program and to the extent that the person's total loan was less than \$7,000, including the cost of child care, for a two-term program, that would be true in that case.

Mr Patten: But it would have to be below \$7,000.

Dr Christie: Anything above \$7,000 is countered by a student opportunity grant. It may be part of the loan at the start of the year, but at the end of the year, as Helmut was describing, it is written down to \$7,000, the difference between the total loan during the year and the year-end amount being the amount of the student opportunity grant. In circumstances in which a child care subsidy is coming through the OSAP side, in addition to tuition, books, living expenses etc, and that's above \$7,000, it will not increase the loan because the loan is capped at \$7,000.

Mr Patten: That's true. However, it seems to me that the parent is then caught in a dilemma. It's a rock and a hard place, it seems to me. There's something that is not working in this, because I get this representation fairly frequently. I'm perhaps not able to understand the nuances or subtleties of the calculations because we're dealing with three: the calculations for the parent, the calculations for the OSAP program and the calculations for the child care subsidy at the municipal level,

supported by the province; and OSAP is considered income.

I believe at the moment there is a disincentive. Even though I hear the government saying this, and of course we would all agree we'd want to maximize the opportunity for people on social assistance to be able to pursue their studies, but if they have kids, then we want to make sure they're taken care of. But at the moment my belief is that there's a disincentive. When I look at your program, the child care bursary and the levels of support—a maximum of \$83 a week, for example—I think the rule of thumb will tell us that it's about \$275 a week in actual costs. If a mom is receiving something fairly close to that on welfare, to trade that for a loan cost that she'll have to pay down the line, and it's less than what she's getting and she'll have to borrow more, you can see what I mean. It doesn't look very attractive.

I'd like to ask you if that can be examined and if you could let the committee know exactly how that works. The auditor might want to take a look at that too, because the objective is to help people reduce their dependence upon social assistance with the assistance of educational accessibility.

Dr Christie: Unless my colleague wants to add something, we will look at the figures you've described.

Mr Patten: Thank you.

The other question is on the relationship. You have said you're in negotiations with the federal government at the moment, and the harmonization of this. The millennium scholarship: I'm quite aware that many of the provinces didn't like this apparent intrusion by the federal government even though they have concurrent responsibilities in relation to post-secondary education. Perhaps this was a response to a neighbouring province and the circumstances that it would never acknowledge any benefit from the federal government, so this may be part of it.

At the moment my understanding is that if someone is in a debt position—and I have a few examples here that I may not have to use if you agree—and is eligible for the millennium scholarship, then that immediately is an offset for any provincial loan debt. Is that correct?

Mr Zisser: I think we recognize that there is some overlap between the provincial student opportunity grant program and Aiming for the Top—

Dr Christie: The millennium fund.

1420

Mr Zisser: Sorry, it's the millennium fund.

This was an issue that we were aware of and that the millennium foundation was aware of when we entered into these discussions. It was recognized that for them to do what they wanted to do across the country, recognizing different circumstances, they would find cases where these two things would overlap. The way it was addressed at the time was to acknowledge that. The millennium fund at that point calculated what they estimated to be the value of that overlap and requested provinces that signed agreements to agree to reinvest such savings for the benefit of students. At the time

Ontario signed the agreement, we committed to doing that as well, because there wasn't a practical way to disengage the two programs.

One of the issues we face is simply that of timing. The Canada millennium fund wanted to make payment at that point very early in the new year. It's turning out to be probably in March, but it's still very early in the new year. At this time, students are not yet eligible for an Ontario student opportunity grant. We have to wait until they complete their study periods and we have to verify their income. There is a sequencing issue: That amount is going to be paid to students, it's going to reduce the amount of debt that they have, and some of those students will be eligible for further debt reduction through the student opportunity grant later on. It's certainly one of the design issues that is worrisome and that we wish to look at in terms of seeing if there is a better way to make that work in future years.

Mr Patten: There are two implications here. The first one I wasn't aware of and you just mentioned it. The province of Ontario has agreed that if they use the millennium scholarship as an offset, if they take that money, even though it's taken off the student's debt, the province takes a similar amount and puts that into post-secondary education in some manner. What happens with that money? It just goes to the financial institution?

Mr Zisser: What we signed specifically said we would reinvest the money for the benefit of students. The government has not yet announced what those reinvestments will be, but certainly has stated quite emphatically that it will do so.

Mr Patten: Could you notify the committee when that happens?

Dr Christie: We will certainly do so. I expect that it will occur in the form where you will be aware of it, but we will certainly make sure that the committee is formally advised.

Mr Patten: Does the letter that's received on this scholarship come from the feds or does it come from the Ontario government?

Dr Christie: On the millennium scholarship?

Mr Patten: Yes.

Dr Christie: It's from the federal government. It's from the millennium foundation, which is not per se the federal government. They've set up a piece of legislation to create this foundation. It's a separate body, but they are the ones who send out the letter.

Mr Zisser: We provide them with 35,500 names. We did that in November. In addition to that, we provided to them the mailing addresses for those individuals. They were all selected based on their criteria from the list of individuals who had applied to OSAP and had high need and met those criteria. They then took that step. The foundation is requiring provinces to then make the payment later on, and we expect that will happen sometime in March.

Mr Patten: I'd like to switch to customer service. This is somewhat along the lines of the questioning from

Ms Martel this morning. The 800 number for OSAP information no longer exists, correct?

Mr Zisser: We don't have a general 800 number; we do have 800 numbers. We have an 800 number for students who are deaf and hard of hearing to support that service, we have an 800 number to serve the millennium fund and we have an 800 number for purposes of income tax set-off. But we don't have a general 800 number because, in general, students should be dealing with the financial aid office at their institution for all services related to their loan. That's the best place for them to get the service promptly. That's also where they can immediately have their account dealt with, because the authority for making changes and so on has been delegated to the financial aid officers at the public institutions. We still provide a service for out-of-country students.

Mr Patten: The 900 number is a pay, \$2 a shot, is it?

Mr Zisser: That's correct.

Mr Patten: In your chart this morning you said the demand is pretty high when you hit August and early September and it probably drops off somewhat in November or what have you, and maybe it starts up again in December for the next semester. Was this a ministry decision or was this imposed? Was this a mandated requirement that you charge for these services or was this in the pursuit of trying to make your contribution to cost recovery or whatever it is, that this was recommended from the ministry? Or was this something that come through finance or a cabinet directive?

Mr Zisser: It was certainly a decision by the ministry to carry out this activity. I think the issue was, how do we provide a service to students and do that in a cost-effective manner? So there was the issue of investing and setting up such a service. At that time it was felt that to adopt this type of approach was something we wanted to try. Certainly in the initial two years of operation, a lot of students used the service and they could for the first time obtain information that they could not otherwise have obtained as quickly. We've seen now that with the Web site gaining popularity, this service is not being used quite as much by students as it was at that time.

Mr Patten: I'm picking up a pattern here in a variety of ministries that to kind of push or encourage citizens to access various services, the one that's perceived to be the least desirable by the ministry has a user fee applied to it, and the one that they want people to start using is still perhaps a free service.

In my discussions at lunchtime I had someone say, "Listen, at certain times it's extremely difficult to see their financial officer or the adviser at the college or university." For days on end they cannot get the information and so they're forced, somewhat, to use that 900 phone number, or any of them, to try to get information. If you're saying that this is something you're trying, that means to me it's something that's being examined for its effectiveness. You might check with the students and their utilization of that.

The other thing I would like to suggest, if I may, because we have talked about this—I don't know if

we've got a report that has been released on it yet, but maybe it's an upcoming one. In the portion of financial counselling that we believe should be taking place with students when they submit their application for loans, and I don't want to be hard on some young people, but not having had to incur debt or manage it or understand the significance of it, to an 18- or 19- or 20-year-old: "Hey, this is free money. This is great. This is how I'll manage it." I've had some personal experience on that score myself and have said, "Just a minute, maybe we should talk about what this actually means, especially when you have to begin to pay this." Part of the counselling is not just the eligibility but the long-term responsibility and the implications of what this would mean for the student down the line. So when your advisory committee—I don't know if that's one of the items that is being examined, but it might very well be.

I guess Bart mentioned the whole issue of the income contingency loan repayment plan. Has that been dropped or is it under reconsideration or has it gone back for renewal or what?

1430

Dr Christie: The agreement we have with the federal government, as I noted earlier, has an income-contingent loan feature as a dimension of that, as part of the program.

Mr Patten: In your discussions with the harmonization, I want to know where the ministry is at or where the government is at. Is this something you want to discuss with the federal government in terms of sharing that responsibility of looking at such a program?

Dr Christie: In fact, that feature has been discussed with the federal government and is part of the structured federal offer to the banks, which the provinces then have the capacity to sign.

Mr Patten: OK. I guess you can't say what the story is at the moment because you're negotiating.

I think I'll stop here. Thank you.

Ms Martel: I will return to the millennium scholarship issue, if I might. I have a number of questions. Let me begin in this way. My understanding of the intent of the federal program was that it was to put money directly into the hands of the neediest university and college students in the country. Is that correct?

Dr Christie: I believe that was their intention.

Ms Martel: Presumably the neediest would be those with some of the highest debt load in either the province or across the country. Would that be your understanding?

Dr Christie: Certainly before a program like our student opportunity grant, it's likely that they would have a high debt load.

Ms Martel: Let me be sure this is clear. Each province made its own decision about how that federal money would be used, correct?

Dr Christie: Helmut, would you comment on how other provinces have approached this?

Ms Martel: Before you do that, though, I want to make it clear that the decision ultimately about how the

federal money was used was made by the province of Ontario.

Mr Zisser: I think the way the program is administered from province to province is something that was negotiated between provinces and the foundation, taking into account the different circumstances of different provinces. There is not a uniform way that provinces deliver student financial assistance. Not all provinces have debt remission programs, the same levels of debt remission, the same terms and conditions, the same way of treating things. So the foundation I think has tried to enter into arrangements that respected some of those differences and tried to make the program work in all jurisdictions.

Ms Martel: Let me put it this way: Ontario made a conscious decision to send this money directly to financial institutions instead of giving it to students, correct?

Mr Zisser: No. Ontario agreed with the foundation that for this year the most expeditious way of implementing the program was to use the existing process that the province had to pay down student debt. Clearly it was their desire to see the money used to reduce student debt. The mandate that the foundation has adopted for itself is one of assisting students and helping to reduce student debt, and they opted for this. One of the factors that certainly contributed to how this approach was put in place was the fact that we were having these discussions prior to the year 2000. There was a lot of concern by both parties about what would happen on January 1, and we wanted to have a reliable method of doing that. This was a proven method that we had already put in place, and we offered to extend that to the millennium foundation as well.

Ms Martel: Let me ask, in the eight other provinces, did they provide funding directly to students?

Mr Zisser: They all do it differently.

Ms Martel: Is there any jurisdiction that provides funding directly to students under this program?

Mr Zisser: I believe there are some that do that.

Ms Martel: Could Ontario have exercised that option as well?

Mr Zisser: If Ontario were that province and it made sense to do so, but Ontario's circumstances are different from that of all other provinces; our programs are different. It was the judgment of the parties at the time that this was the way we could deliver the program within the timelines and within the criteria that the foundation had established for the program.

Ms Martel: Isn't it true that the net effect of the program in Ontario is that many students who have a debt load of over \$7,000 will receive only a partial benefit or no benefit at all? That is the net effect of you deciding to send the money to the financial institutions instead of the students.

Mr Zisser: I think the net effect is that because there is an overlap between the programs, some students certainly will not derive as great a benefit as other students. Certainly, many students will be getting that benefit, and again, as was made very clear at the time the

agreement was signed, in the press release from the foundation, all the parties knew in advance that there was this overlap. There was an attempt to quantify that, and there was a commitment to reinvest.

Ms Martel: With the overlap, you're saying that somehow these students couldn't have received both. Is there any legal or legislative reason why a student in Ontario could not have received a millennium scholarship, the full amount directly, and not still have received the Ontario student opportunity grant? What legislative or legal barrier was there to say that they couldn't receive both fully?

Mr Zisser: It would not have been possible under the current legislation.

Ms Martel: Can you provide this committee with a copy of the piece of legislation that would clearly have said that these students can't receive both? What legislation is that?

Mr Zisser: Well, there's no legislation that has that wording. The regulation that specifies how the student opportunity grant is calculated indicates that there is an order in which we do things, which is that the student must complete their program of studies; it sets out—

Ms Martel: Sorry, this is a regulation?

Mr Zisser: Yes.

Ms Martel: A regulation can be changed. The regulation could've been changed to allow for Ontario students to receive a millennium scholarship amount and an amount of money under the opportunities grant and to not have one offset the other. Am I correct?

Mr Zisser: Well, you're correct that regulations can be changed.

Ms Martel: Right. So if Ontario had really wanted to put money into the hands of the neediest students, Ontario could have had a regulation change which would say that Ontario students could receive the full amount of the millennium scholarship, \$3,000, and they could also receive the full amount of the Ontario student opportunity grant at the same time. We could have done that by regulation, correct?

Mr Zisser: The province has the ability to make regulations.

Ms Martel: Right. OK. I wanted to read into the record what the net effect of this has been, because I think it's important for you to understand and for other committee members. We got a letter from Confederation College, from the chair of the board of directors, that said the following:

"I am writing on behalf of the board of governors of Confederation College to express our concern with the way in which the province of Ontario has chosen to administer the Canada millennium scholarship fund. We understand that Ontario and British Columbia are the only provinces where the benefit of this important federal program largely accrues to the province and not to the students to whom it was intended.

"To our knowledge, 312 students at Confederation College have been advised that they qualify for the scholarship this year.

"—173 students will obtain no personal benefit whatsoever as the province is using their scholarship to pay down the forgivable portion of their student loan.

"—These students actually never see their \$3,000 scholarship, however they will be taxed on it.

"—It may also affect daycare or rent subsidies and other income-contingent assistance.

"—The province is the only party to benefit since the forgivable portion of the student loan is now funded by the millennium scholarship, not the province.

"—139 students will receive only a small benefit as their overall student loan will be reduced by an average of \$800 (and pay tax on \$3,000).

"—56 students from reserves will have their loans reduced by an average of \$1,515.

"—12 students will have their student loan reduced by the full \$3,000 (and pay tax on the \$3,000 scholarship).

"... As you can see, this approach suggests most students should refuse the scholarship as it increases their financial burden rather than reducing it. For most it has little benefit. For all, it has possible tax implications. In some cases, it may have a negative effect on the tax situation of supporting parents. We do not believe that this was the intent of the fund."

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Neither do I, and I regret that Ontario and British Columbia decided to go about it this way, because the net effect is that the millennium scholarship fund is in fact subsidizing the Ontario student opportunity grant. You're subsidizing with federal money costs you would have incurred to pay that grant to students. Is that correct?

Mr Zisser: At this stage there have been no savings. We will not know what the savings are because we will not know what that actual overlap is until we complete the process for these student opportunity grants. So some students will not complete their program of studies and will not be eligible. We will find through income verification that some students have not provided accurate information and will not be eligible. I don't know how the college would draw those conclusions because we have no such information and I would argue that you could not make such calculations until November of this year.

Ms Martel: Can I ask why it was that in a leaked cabinet document in November 1999 the suggestion of a \$90-million windfall to the province was outlined?

Mr Zisser: I'm not familiar with that.

Dr Christie: The \$90 million is not a number that I am aware of having been associated with.

Ms Martel: Okay, Deputy. If it's not \$90 million, how much do you suspect the province will benefit by this windfall this year?

Dr Christie: For fiscal 2000-01, there should be no net fiscal benefit as a result of the province's commitment to reinvest any savings to the benefit of post-secondary students. The gross benefit may be between \$50 million and \$75 million. We're not sure how much it is yet, because we're still—

Ms Martel: But you must have some idea. You know already who the students are because you sent those names to the fund, all right? So you would also have access to what their debt load is, and you would also know that \$3,000 applied against their debt load will leave the province with some portion of money to pay or not, because the province might be totally off the hook because the \$3,000 would cover what the province would have paid out in a grant. So you must have some fairly substantial good guess or estimate about what this means for the province, how much money you're going to save because you're using federal money to replace your money this year.

Dr Christie: The original estimate in May of last year—and I think this was an estimate jointly arrived at by the millennium foundation and the ministry—was on the order of \$50 million. As we see the actual numbers come in, we will have a better idea. But as Mr Zisser noted, the actual impact won't be known until students have completed their term and we know how much debt is there and therefore how much student opportunity grant is required. But that won't be known for some months yet.

Ms Martel: Deputy, the May estimate of \$50 million is for the student academic year 2000-01? How are you defining that as a year?

Dr Christie: For what period was that estimated?

Mr Zisser: That estimate was for those students who would be eligible to receive the millennium fund who were in the 1999-2000 year. But there are no savings in 1999-2000 because the province would not be paying the student opportunity grant within this year. It would be paid next year.

Ms Martel: So you'll see these savings beginning April 1, 2000; through that fiscal year.

Mr Zisser: No, the earliest—

Ms Martel: Through that fiscal year.

Mr Zisser: —we would possibly see them would be November.

Dr Christie: But in that fiscal year.

Mr Zisser: In that fiscal year.

Ms Martel: What's your estimate for what you might receive next year? Because this is a 10-year program, correct?

Mr Zisser: In terms of savings or in terms of the monies that the millennium fund will make available to students in Ontario?

Ms Martel: I'm more interested in the savings that Ontario is going to accrue.

Mr Zisser: We don't have an estimate at this stage, because I think there will certainly be some discussions in terms of how this program will unfold in Ontario. It is not a design that we have been particularly happy with, and I think it is certainly an area that we will continue to monitor.

I think this needs to be remembered: We decided to deliver a program that has never been delivered before, that was designed in such a manner that it certainly had a large potential to overlap with Ontario initiatives and it

had to be delivered very promptly, because the desire was to have it up and running by January of this year. So the design we have is not a perfect design but it is a design that is ensured to get money to students. To the extent that there is that overlap, the provision has been made to make sure there is a reinvestment of those monies by the province.

Ms Martel: I'm not blaming you for this decision; I'm sure it was a political one. But what I am saying is a regulation doesn't even have to go through the House. It could have passed by cabinet at any one of the cabinet meetings that went on all last fall, because this was under discussion all last fall. The point I'm making is, I don't think there was the political will to be sure that students could benefit from both. I think the design of the political powers that be was to have this money subsidize the provincial program, because the province has a windfall under this situation. The province gets \$50 million that they weren't counting on, paid for courtesy of the federal government or the federal private corporation. I think this could have been done without any problem whatsoever. I don't think there was the political will to do it, and I don't blame you for that.

With respect to the \$50 million, does that also include interest payments that would have been paid out if Ontario was making payments under the Ontario student opportunity grant for those people who might have that offset by the millennium fund?

Mr Zisser: I don't believe it was that precise a calculation, because at that time we had very little information that would help us refine a calculation to that point. It was an estimate. It was one that I think both the foundation and the province thought was reasonable in terms of what we knew about the program at that stage.

Ms Martel: So the estimate might actually be higher, because when you take into account potential interest payments that will be forgone in a number of cases, that might be an additional saving to the province, an additional amount of money that the province would in fact accrue.

Mr Zisser: I think what the deputy has indicated is that there is now a range in which we believe this will take place, but we really will not know until a few more steps occur.

Ms Martel: Do you have any idea how many students now in the province, the percentage of students, will not benefit at all because their debt load is higher than \$10,000?

Mr Zisser: I don't have that information.

Ms Martel: Could you provide that information to the committee? I would assume that you can do those calculations because for anything over \$10,000, the \$3,000 would be applied and it would be left for their debt. I'd like to get from you some idea of those people who have got a scholarship, because you provided the names, whose debt would have been over \$10,000 who will automatically now not see any benefit at all in terms of what they have to pay on their own debt. If you could provide that to the committee it would be very helpful.

I want to just be clear then. You're saying this was a measure that was put in place for this year in order to get some money out to people. Are you going to be reviewing the situation with respect to how many students may in fact turn down the scholarship because they don't want to be assessed with the tax penalty that might come?

Dr Christie: The design is a matter that we are discussing and will continue to discuss with the foundation. As Helmut has noted, this was a program that the federal body wished to get up and running within a certain timeframe. They looked for assistance from the provinces, including being concerned about duplicating administrative systems etc. The provinces have worked with them in this regard. But there is nothing in this that doesn't admit of improved delivery mechanisms in the future, and we'll certainly be discussing those improved mechanisms with them.

On the issue of the taxable status of this, this is a decision that Revenue Canada has made. It is not a function of anything in the province's design. It is a matter of the federal government's design of this system. It is our preference certainly that this not be taxable. I think we have expressed that. This is a matter for the millennium foundation to deal with Revenue Canada on.

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Ms Martel: Deputy, do you have any idea how many Ontario students might have refused the scholarship, if you have access to that information?

Dr Christie: I'm not aware of any information on that.

Ms Martel: Would it be possible for you to deal with your connections at the foundation to find out in Ontario how many students may have refused? If they also have a general idea about why they refused it, I'd be interested too, because I'd be interested to learn how many students looked at it and, after realizing it wouldn't do anything directly for them because they were over a \$10,000 debt, that they made a conscious decision not to accept it because they worried about the tax implications. They had to make a decision to refuse this grant what, two weeks ago?

Mr Zisser: The millennium foundation has extended the time that students had available to decline the award if they so chose. In fact, today is the last day for that. It had initially been set two weeks earlier, and they've extended it to today. They have requested that we then submit the revised list to them on Tuesday next week.

Ms Martel: OK. Part of the condition that the corporation set down was that the savings that Ontario realized would have to be used to benefit students, and I heard you say clearly earlier that Ontario hadn't made a decision. Can you give us some idea of what you're looking at? The intent was to directly benefit students with high debt load. I am curious about how Ontario might propose to directly benefit those same students.

Dr Christie: The manner in which any savings might be deployed would be a matter of the business planning process and decisions to be made, and those are under

review. Decisions haven't been made. When they are, we'll be able to answer.

Ms Martel: Deputy, let me ask you something else. This is with respect to tuition. On February 2, you will remember, it was the Access 2000 Day of Action. I attended the rally that was held by Laurentian University students. I was driving home and I heard Premier Harris on the radio responding to a question about the students' demand for lower tuition. The Premier said on the CBC, and I will quote this for you, "I think you'll find that lower tuition has proven in study after study to benefit the wealthy, not lower-income classes."

I was astonished by that comment. I'm not sure that I believe it, but I'm going to give the Premier the benefit of the doubt and ask you if in Ontario we have any study that has been done that would show that lower tuition benefits the wealthy and not the lower-incomes.

Dr Christie: I'm not aware—this doesn't mean it hasn't been done—of a study on the impact of tuition by income cohort, let's say, at least of a recent one in Ontario. I think in general, because there is student assistance provided for the low-income groups but no assistance provided for higher-income groups, then certainly the impact of tuition might be expected, after student support, to be higher in the high-income groups than the low-incomes simply because student support affects the one but not the other. However, studies with respect to the degree of that I'm not aware of. I don't have that.

Ms Martel: You're not aware of studies that exist in Ontario, for example, that would prove this?

Mr David Trick: Ms Martel, as the deputy says, we haven't done a study specifically relating to Ontario students, but there are a number of academics who have studied this issue over time, and there are some studies of that nature that we could certainly share with you.

Ms Martel: So these studies would prove that the benefit for lower tuition goes to the wealthy. That's what you're saying?

Mr Trick: The studies that support the point that you heard the Premier make.

Ms Martel: OK. What jurisdictions do they come from?

Mr Trick: I'm sorry. I'd have to go back and look at exactly which jurisdictions were covered, and they weren't entirely within Canada.

Ms Martel: They weren't entirely within Canada?

Mr Trick: They weren't entirely within Canada. There were other jurisdictions as well.

Ms Martel: But you have copies of these?

Mr Trick: We can certainly share them with you.

Ms Martel: That would be very helpful. I'd certainly appreciate that.

Let me return to your brief from this morning, on page 12, where you talk about "improved linkages with lenders." You talk about your EDI system, your electronic data transfer, and that you've got one agreement in place with CIBC and discussions with others. Who pays to implement EDI? Is it a cost-sharing agreement? Is

there new technology that's required? Who is responsible for developing it or putting it in place?

Mr Zisser: Both parties pay for their respective costs. What it means in practice is that you need to negotiate with the other party the data transfer protocols: how you're going to package the data and in what sequence; what kind of controls you will place on it to make sure there's integrity; what technology you're going to use to move the data from one to the other; the timing for that; what kinds of systems will pick it up; what you will do with it.

It has been part of our overall investment in the program to try to improve the speed with which we process by relying more on computer technology. We were fortunate to find a financial institution that was willing to work with us on that. It has proven to work very well because it has eliminated a lot of the paper between the two organizations. We do a better job administering those loans. There is less chance for error in those kinds of transactions because one party isn't turning something into paper that someone else is then keying and potentially making errors on.

That's the goal we would have for the future with all lenders. We would like to see the system move in that direction. We're also going to be exploring options that move beyond, for example, even loan documents. There may be a possibility to make some of those transactions occur electronically. In that case we'll need more linkages with our financial aid offices because there are those matters to consider.

Ms Martel: One of the issues that the auditor indicated in his reports in 1997 and 1999 had to do with the inputting of reams of information affecting financial institutions and payment to the same. I think in 1997 he noted it was about 150,000 pieces of a backlog; in his most recent report, 125,000. I'm going to assume it's a question of having this particular system implemented that would reduce some of that backlog. Are they directly tied or is it a separate issue?

Mr Zisser: There were two backlogs. The one we have dealt with successfully is the one of claims. The one dealing with what we refer to as bank errors is the one that we are still working on. I think we have resolved that issue now in the case of one of the lenders, and there are two others where we are working on that. We have created a facility that can permit the lender to do that. We have had success with one of the lenders to provide them with that tool and they are actively using it. We have provided the other lender with the tool and we are hoping it will receive active use.

Ms Martel: With respect to your customer service, you had told this committee that calls are answered in three minutes?

Mr Zisser: Three rings.

Ms Martel: I'm curious and I go back to a question that was probably raised facetiously. Is it answered by a live body in three rings or by voice mail, and do you track incoming calls on those times?

The Chair: That was not asked facetiously.

Mr Zisser: We do both. We do have a policy that if a person is not there, we will return that call within one business day, within 24 hours. We monitor that. We are also going to be monitored on that. I think the government more broadly will be making sure that all of us are routinely measured in terms of the customer service standards the government has set. We are also putting in place customer feedback systems which will start at the end of this fiscal year so that students and others can provide us with feedback on whether they are satisfied with the service we are providing and make suggestions in terms of what we might do to improve service to them.

Ms Martel: Do you phone in for that or do you mail that in?

Mr Zisser: What we are trying to do is use the Web to do that. We have looked at other very good Web applications and we've noticed that they have these kinds of features. That is the device we're going to use in the first instance to give people an opportunity. Again, given that is the area where we are now experiencing most of our traffic, that is the part that we would really like to work very well.

Ms Martel: Let me go back to the issue of studies. You had said earlier that Ontario hadn't done a study in this regard. I noticed in the auditor's report from 1997 that he talked about performance reporting and about examples of trends that we could be monitoring and reporting on. There was certainly indication of a level of student financial assistance versus tuition fee, proportion of students that require financial assistance by type of post-secondary institution etc.

I was looking through your performance reporting. On some of the issues you're starting to report, but clearly I don't see anything that would respond to the concern that I have about student indebtedness in relation to tuition increases.

I think there has been a dramatic increase. The Canadian Federation of Students, when they had their Access 2000 campaign, made that clear. I think it would be very important for the province of Ontario to start doing that kind of tracking so that we do know whether or not tuition increases benefit the well-off, lower-income or middle-income families, and what the relationship is between increasing tuition costs and students dropping out or the level of student indebtedness. It is becoming a situation in this province where lower- and middle-income families cannot afford to send their kids to university and to college. I don't think that's a position we in this province want to be in as we try and compete in a global economy.

So can you tell me, Deputy, given that this was raised in a preliminary way in the auditor's report in 1997, has the ministry thought about doing that kind of tracking in a detailed way to see what the impacts are on students?

Dr Christie: We are trying to track performance measures of various kinds. Obviously, measurability is a factor in each of them. We look each year at what we are measuring and whether we could improve the measurements or whether we need to look at new measurements.

We look at that every year to see if there are things that we could measure reliably enough and that would be meaningful enough to include in that. We'll certainly continue to review things for addition to the measurements.

Ms Martel: Do you track tuition increases by institution now?

Dr Christie: Yes, we certainly monitor tuition levels by institution.

Ms Martel: And against that, would you track institution by institution default rates of students who had attended?

Dr Christie: Yes, we track default rates by institution.

Ms Martel: But do you make the connection between the financial institution, what that tuition increase was and what the level of default is?

Dr Christie: Because the default measure in any given year has to do with people who graduated at least two years prior and therefore studied the four years prior to that, it's a complex relationship to try and measure. Measures of that complexity or behavioural measures of that complexity are certainly of interest, but it's not clear that we have the capacity really to measure that at the moment.

Mr Trick: Ms Martel, if I could just add a bit to that. Clearly, as the deputy mentions, drawing some of these

one-to-one connections requires a lot of fairly fine-tuned statistics. I think one of the general points—and we've gone through some of these numbers this morning—university default rates, as it happens, are less than half of what the default rates are at community colleges. At the same time, college tuition fees are less than half of what tuition fees are at universities. So there are a number of things that you have to put into the equation other than tuition in order to explain the default rates.

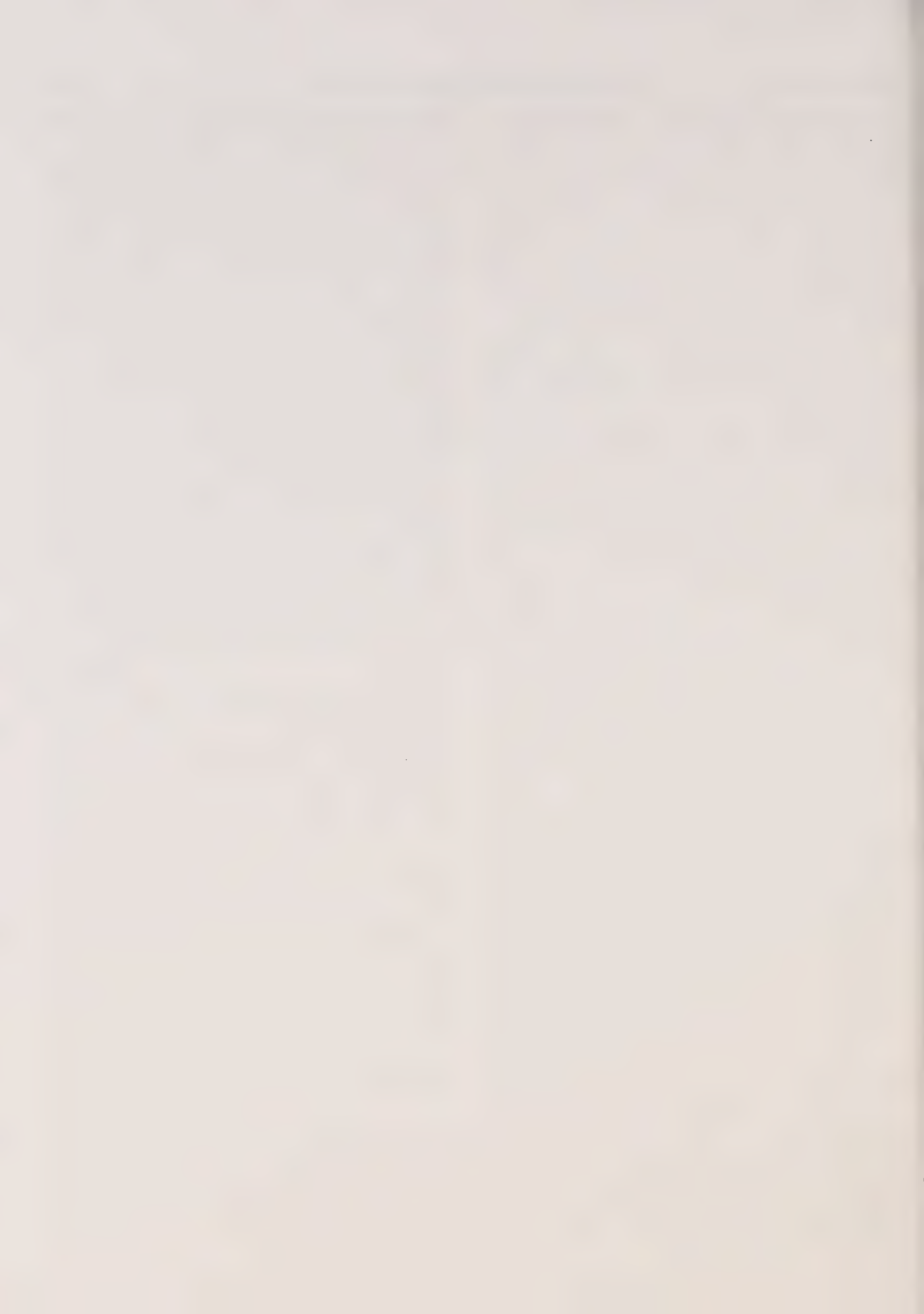
Certainly, when we've done studies of correlations, the two issues that are most prominent in terms of defaults are, did the student complete the program and, if he or she did complete, did the student find a job after graduation. Those are the two correlations that come out most strongly. Clearly there's a lot more work that could be done in terms of, within the university, trying to connect the students to what their reasons were for default. So we have numbers at a gross level, but maybe not at that finer level that you're getting at.

Ms Martel: All right. I think that's it. Thank you.

The Chair: Thank you very much for attending today. We appreciate the information that you've provided to the committee, and we look forward to receipt of the various undertakings that you've given.

The public session is adjourned.

The committee continued in closed session at 1505.



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Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Tuesday 29 February 2000

Journal des débats (Hansard)

Mardi 29 février 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Tuesday 29 February 2000

Mardi 29 février 2000

The committee met at 1043 in committee room 1, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF THE ENVIRONMENT

Consideration of chapter 4(3.07), conservation and prevention division.

The Chair (Mr John Gerretsen): I'd like to call into session this meeting of the standing committee on public accounts to deal with chapter 4 of the 1999 Annual Report of the Provincial Auditor dealing with the conservation and prevention division of the Ministry of the Environment.

Welcome, gentlemen. You will have 15 to 20 minutes for an opening presentation and then afterwards we'll throw it open to the membership for any questions they may have with respect to the report. Perhaps you could identify yourselves before speaking so that Hansard can pick up the various speakers who are here.

Mr Stien Lal: My name is Stien Lal. I'm the deputy minister at the Ministry of the Environment. With your permission, I would like to introduce my colleagues. On my immediate left is Mr Carl Griffith, who is the assistant deputy minister, operations division, in the ministry; to my immediate right is Mr Michael Williams, director, environmental assessment and approvals branch; and to his right is Mr Keith West, director, waste management policy branch. We also have with us, sitting just behind me, John Lieou, who is the manager of the water and sewage program in the ministry.

Thank you, Mr Chair and honourable members, for this opportunity to discuss the Provincial Auditor's 1999 annual report. The Ministry of the Environment welcomes the work of the auditor as a valuable process to improve the effectiveness and efficiency of our efforts. The result will be strengthened environmental protection in Ontario.

As members will know, the 1999 report updates the recommendations made by the auditor in his 1997 report. This morning, with your permission, I would like to share with you how our ministry has responded to these recommendations.

A key to our response is the Waste Diversion Organization, or WDO, which we established with partners from industry, municipalities and other groups. I will

describe some of the functions of the WDO as I outline our efforts with respect to the auditor's recommendations. The Waste Diversion Organization, established in November 1999, we believe brings together a full range of stakeholders involved in waste management, including industry, municipal and provincial government, and a recycling advocacy organization to help fund the municipal blue box and other waste diversion programs. The key objective of the new organization is the development of a long-term, sustainable funding plan for the blue box and other waste diversion activities.

The Waste Diversion Organization is based on a one-year voluntary memorandum of understanding. WDO members have committed \$14.5 million to develop, implement and fund municipal waste diversion programs. Under the agreement, the WDO will establish programs to:

First, fund blue box costs related to wine and liquor glass containers to the tune of \$8 million. This continues the \$4 million given to the municipalities in March 1999 by the Liquor Control Board of Ontario;

Second, it will increase diversion of organic wastes by as much as \$2 million;

Third, it will establish additional depots for municipal special household wastes, which are sometimes referred to as household hazardous waste, to the tune of \$1 million;

Fourth, it will improve the efficiency and effectiveness of blue box programs by as much as \$2 million;

And finally, it has a mandate to inform the public about municipal waste management activities and intends to spend \$1 million towards it, with municipalities receiving free advertising space in daily newspapers.

The Waste Diversion Organization's partners are drawn from the following sectors and organizations: Food and consumer products, represented by Corporations Supporting Recycling; municipalities, represented by the Association of Municipalities of Ontario; daily newspapers, represented by the Canadian Newspaper Association; chemical specialties and paint and coatings, represented by the Canadian Paint and Coatings Association and the Canadian Manufacturers of Chemical Specialties Association; the Liquor Control Board of Ontario; the Recycling Council of Ontario; and finally, the Ontario government, represented by the Ministry of the Environment.

The Waste Diversion Organization's review of longer-term issues will include the development of options for a

sustainable funding formula to provide up to 50% of the net operating costs for municipal blue box programs, as well as to continue the programs described above.

The MOU between the government and WDO calls for the organization to design a special household waste management program, including options for its funding. The board is now up and running and I can assure you of the ministry's continuing commitment to work with the WDO to ensure the sustainability of waste diversion in the province.

I will now summarize the current status of the ministry in implementing the recommendations made by the auditor.

1050

On waste reduction grants administration, the first section of the 1997 report deals with the disbursement of grants to municipalities and industries to support the blue box program and other waste reduction initiatives. The auditor was satisfied, we believe, that we had adequate procedures in place to ensure that grants comply with the terms and conditions of our agreements with recipients.

The next section, dealing with the effectiveness of waste reduction, contains two recommendations. First, the auditor noted that the ministry should incorporate the province's 50% waste reduction goal into the waste management policy branch business plan. In fact, the ministry's 1999-2000 public business plan includes the 50% per capita waste reduction goal and targets continuous improvements towards that goal from our base of 1987. The branch's draft long-term business plan also includes this goal.

Ontario has already achieved a waste reduction rate of 35%, and as we report on our final progress for 1998, I expect we will be close to the 40% level. While it is difficult to compare rates because of different measurement approaches, we believe Ontario's will be among the highest of any North American jurisdiction. The Waste Diversion Organization will be looking for ways to improve waste reduction performance in Ontario to achieve the 50% target.

With the second recommendation, the auditor noted that the ministry should measure and report on the effectiveness of its waste reduction programs to permit the timely adjustment of strategies and the development of action plans. The ministry continues to operate and improve its system to monitor disposal of Ontario-generated municipal waste. Data are gathered on an ongoing basis through surveys, review of ministry records and directly from private disposal site operators.

Since the 1997 audit, the ministry has published an annual municipal 3Rs fact sheet which reports on municipal waste reduction efforts. This information is collected in a comprehensive survey of all municipalities, conducted through a partnership between MOE, the Recycling Council of Ontario, Corporations Supporting Recycling, the Association of Municipal Recycling Coordinators and the Municipal Waste Information Network. I will be pleased to leave with you a copy of the current fact sheet, which shows the substantial progress achieved in waste reduction at the municipal level.

The system of ongoing measurements of disposal and diversion activity is used to report on the ministry's success in meeting the goals of its business plan. It has enabled the ministry to fine-tune its actions as necessary. The 1999 auditor's report noted that their earlier recommendation concerning this issue was substantially implemented.

Ontario's blue box system is a very successful initiative, first started in the 1980s. Today it serves over 3.8 million households, or more than 90% of all households in Ontario. In 1998, over 650,000 tonnes of materials were recycled. This is 42% more than was recycled in 1994 and represents an average of 168 kilograms recycled for each household. Since its inception, the blue box system has diverted to recycling over five million tonnes of materials, most of which would have otherwise been disposed of in Ontario's landfill sites.

The blue box program: With respect to the program the auditor noted that "to ensure the program is sustainable, the ministry should work with municipalities to cut the cost of collecting and processing recycled materials." The sustainability of blue box is in fact one of the key issues for our ministry. It was an important motivation in our formation of the Waste Diversion Organization. In the next year the WDO has been asked to develop for the government's consideration a long-term funding formula to cover up to 50% of the net operating costs incurred by municipalities in the operation of blue box and other municipal waste diversion programs. A target for this funding has been set at up to \$27 million, as set out in the memorandum of understanding implementing the WDO.

An important part of the WDO's mandate is to give municipalities the tools they need to make their programs more efficient and effective in all areas, including collection and processing of recycled materials. Some \$2 million has been earmarked for a program to achieve this purpose. The program will include, but is not limited to: examining the number and location of material recovery facilities in Ontario; planning future capital improvements in these facilities, particularly shared-cost projects with demonstration value; investigating innovative collection methods; and increasing waste diversion from apartment recycling programs using retrofits and other measures.

The WDO will also provide \$4 million to municipalities to help cover the 1999 costs of recycling wine and liquor glass containers. A further \$4 million will be provided for the same purpose for the year 2000.

Costs and benefits of recycling: The auditor has noted that the ministry should work with municipalities to encourage the use of full-cost accounting for assessing the most cost-effective method for the disposal of waste in their communities. Many municipalities, including Toronto and London, are already developing plans which include the use of full-cost accounting principles to determine the cost and benefits of various composting, recycling and disposal options.

The ministry strongly supports this practice and continues to work with its partners to develop the tools municipalities can use to make informed decisions. Several relevant initiatives include: As part of the long-term funding formula, the WDO will also develop a standardized accounting system for all municipal blue box and recycling programs; and our partnership with the Environment and Plastics Industry Council designed computer models for recycling collection systems and facility processing costs. This work contributed to the development of integrated waste management system models by our industry partners. The use of computer models is growing. For example, a model was used by the city of London for its waste management decision-making. Others are being used by Hamilton-Wentworth and Markham.

The auditor also noted that the ministry should expedite its review of the legislation regarding refillable soft drink containers and at the same time work with industry to develop a practical solution that addresses municipal concerns.

One of the key municipal concerns outlined by the auditor was that the cost of disposing of containers was being unfairly shifted from industry and consumers to the taxpayer, and we agree with that statement. The container regulations have been out of step with consumer preference for many years and have not been enforced since 1991. As everyone will know, these regulations have been under review for some time. The review and future decision are contingent on the work being carried out by the WDO. We expect the review to be completed after September 2000, when the WDO submits options and its recommendations on a sustainable funding plan for the blue box program and other waste diversion initiatives.

Moving on to environmental assessment, the auditor noted that the ministry should establish indicators to measure and report on the effectiveness of the environmental assessment process and monitor compliance with the terms and conditions of approval for approved projects.

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The ministry has a number of initiatives underway that we believe will address the auditor's recommendations to establish indicators to measure program effectiveness and monitor compliance with conditions of approved environmental assessment projects. Performance indicators have been developed that focus on time, cost and certainty of the process. To fulfill this requirement, a timeline regulation was passed under the Environmental Assessment Act that sets timelines for key steps in the government decision-making process, in addition to ministry business plan indicators relating to time frames for board decision-making.

The ministry has launched a database for all EA projects to track and report on compliance with the conditions of approval. With the completion of the integration of our approvals and environmental assessment branches, we are now developing a number of additional indicators to measure effectiveness. The integration of

the branches to provide one window for the ministry environmental approvals allows the ministry to take a comprehensive approach to developing performance measures and monitoring compliance for all environmental approvals.

Funding for water and sewage projects: In 1997, the auditor noted that the ministry should require municipalities not only to review water conservation and system optimization measures, but also to implement any applicable cost-effective measures before expansion projects are eligible for provincial funding.

As well, the auditor called for the ministry to ensure that appropriate documentation is received to substantiate critical information on the application that may have a direct impact in determining eligibility and the amount of provincial funding for water and sewage projects.

The ministry has incorporated the auditor's recommendations into the design of the provincial water protection fund, or PWPF, including the requirement that municipalities must first implement applicable, cost-effective measures such as water conservation and system optimization before expansion projects are eligible for funding assistance; careful assessment of all documentation provided as part of PWPF applications to determine eligibility and calculate the appropriate amount of funding assistance; and continued close monitoring of municipal cash flow requirements and scrutiny of expenditure claims to minimize or quickly recover grant overpayments.

In 1999, the auditor recognized that the ministry has responded in a completely satisfactory manner to these recommendations.

In conclusion, I want to once again thank you, Mr Chair and honourable members, for the opportunity to discuss actions taken by the Ministry of the Environment to address the recommendations of the 1997 Provincial Auditor's report, as well as issues raised in the 1999 auditor's report. The ministry views these reports as an excellent way to improve our efforts to strengthen the protection of Ontario's environment.

At this moment, we will attempt to answer any questions that you or your committee members may have.

The Chair: Thank you very much. We have 17 minutes for each caucus in this first go-around, and we're starting today with the Liberal caucus.

Mrs Leona Dombrowsky (Hastings-Frontenac-Lennox and Addington): My question is on the statement you made with regard to the auditor's recommendation on reusable containers. You indicated in your presentation that while there is—is it a regulation or a policy on the books? I believe it's been there since 1985. In your presentation, you indicate that it has not been enforced since 1991. First of all, I would like to ask why that would not have been enforced.

Mr Lal: The ministry, going back to 1991, has indicated that these regulations were the subject of revision and scrutiny and that there was really no support for these regulations generally as far as preference of Ontario citizens was concerned. The government has made a

commitment that it is going to review these regulations, and in fact has made that public and has invited comments in respect of it.

The WDO, which we think is the answer, is mandated to ensure the long-term sustainability of this program, and using the blue box, which collects not only refillable soft drink containers but also other recyclable material, is in our view a much more comprehensive approach than creating a parallel system that would deal only with refillable containers.

You may also wish to know that of all the provinces that have a system in place for refillable containers, only the province of Prince Edward Island, which has a population of close to 150,000 people, actually uses those containers for the purpose of refilling. All of the other provinces use the containers merely for recycling.

Mrs Dombrowsky: If I could continue, you indicate that your reason for not enforcing it is that consumers don't prefer to use—

Mr Lal: I'm sorry. If I could elaborate on that as well, in 1994 we sought legal advice on the enforcement of the regulation, whether it would be appropriate for us to continue to enforce it. Our advice was that the regulations would be inappropriate while efforts were underway to improve the refillable ratio while in negotiations with the industry. Our legal counsel believes that prosecutions under the regulations would amount to an abuse of process on the part of the ministry, given the broad understanding that the ministry would not enforce the regulations until a new approach was accepted. That is another reason why we're not enforcing the regulations.

Mrs Dombrowsky: In my community, the constituents in the part of Ontario that I represent have had reason to focus their attention on the way that waste is disposed of and would come to my office to indicate that there needs to be more initiative on the part of the government with regard to waste diversion. People within my riding have indicated very clearly that they are aware there are other provincial jurisdictions in Canada where soft drink containers are reused. The sense is that, given the opportunity to reuse soft drink containers and encouraged by municipalities to do so, it would contribute significantly to reducing the amount of waste that is now either recycled or directed toward a landfill.

I am concerned that there might be a move on the part of the ministry to move away from this sort of initiative when in other jurisdictions it has been successful, and, at least from what we have been told earlier this morning, that while some soft drink manufacturers would indicate that the initiative is not successful, that may not be quite the case. So this part of the report is one that is of particular interest to me, and I do appreciate the answers that the deputy minister has provided to me this morning.

The Chair: Is there anything you wish to add?

Mr Lal: For the benefit of the committee, I was just going to give some numbers in respect of other jurisdictions which the honourable member may find helpful.

According to our information, eight of the 10 Canadian provinces and 10 of the 52 American states have a

deposit-return system for beverage containers. There is, however, as I indicated, only one jurisdiction, PEI, which actually refills beverage containers to any measure. The only other system, which I'm sure we're all familiar with, is the refillable beer containers which are handled through a private deposit-return system, some for refill and others for recycling. But to the best of our knowledge, no wine and liquor containers are refilled anywhere in Canada or in the US, nor are soft drinks or other beverages in any measurable way. In the US there are neither mandatory requirements nor any refilling of beverage containers. I hope that helps.

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Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): My question has been partially answered. In our part of Ontario it seems to be a big issue that disposable beer cans and soft drink cans are picked up and taken, in my understanding, to the province of Quebec for recycling. I was wondering whether that was a provincial government initiative or a private enterprise initiative, because it's my understanding that they get at least five cents a can when they put them in the machines in Quebec, and whether Ontario ever looked at that type of initiative. I would just like your comments.

Mr Lal: I will ask Keith West, director of our waste management policy branch, to respond to that particular question.

Mr Keith West: When you get close to borders of that nature, sometimes some of our containers do end up—I would suggest that that's fairly minimal in terms of the overall waste stream. We've looked at all systems across Canada as to which best suits Ontario and still come to the conclusion that it's the blue box system that gives us the most capture of the most materials, more than any other system in North America, and all of Canada as well.

Mr Cleary: But is this private enterprise that has these machines that they go in, or is that subsidized by the Quebec government? How does that work?

Mr West: The Quebec government is moving on a number of initiatives that are still in the draft stages of implementation. I believe that it is a government system in place, that they have working in Quebec. It could be contracted out to the private sector. I don't know enough of the details to know whether it's a private sector depot or contracted out by the Quebec government or a local municipality.

Mr Cleary: My next question is on the glass bottles. You had mentioned earlier that they're not reused. That was my understanding. Where does this glass go then?

Mr West: The majority of glass is recycled here in Ontario. We have a very strong glass market. There are some issues around northern Ontario related to travel costs in terms of getting the product to our markets, but the majority of glass is recycled. We do a survey with municipalities every year because we have a funding program now in place with them. Substantive tonnages are being recycled and they are being put into other product.

Mr Cleary: We hear that Ontario is a dumping ground for other jurisdictions. I would like your comments on that. Is that increasing or decreasing? Or are the facts that we're hearing not proper?

Mr Lal: We certainly do not believe that Ontario is the dumping ground for all waste. The reality is that waste is two-way traffic. We dispose of a lot of our waste in the states of Michigan and Ohio and other US jurisdictions. Under the terms of the free trade agreement, the transfer of waste from one jurisdiction to another is considered a trade matter, so we're not able to impose the kinds of restrictions that we would like to impose in terms of importation of some of this waste.

In addition to that, the importation jurisdiction rests with the federal government more than it does with the province, so we are doing everything we can to discourage and to minimize the importation of waste into Ontario. I would not say that, by any stretch of the imagination, Ontario is the dumping ground for US waste or other imported waste.

Mr Cleary: In my part of Ontario MRR, Material Resources Recovery, just got a certificate of approval to expand their operations of hazardous waste. I want to ask you where all this material would be coming from. Would it only be within the boundaries of Ontario, or is some of it coming from the States and other jurisdictions?

Mr Lal: I'll ask my colleague, Mr Williams, to answer that question.

Mr Michael Williams: The hazardous waste to be processed at that facility under the terms and conditions of the certificate of approval would be from Canada only; it would not be allowed to be imported.

Mr Cleary: So it's only Canadian waste?

Mr Williams: That's correct, sir.

Mr Cleary: Coming from anywhere in Canada?

Mr Williams: Yes, sir, that's correct.

Mr Cleary: How much time do we have left?

The Chair: You have another five minutes.

Mr Cleary: Okay. I've just wondered about another thing we hear a lot about. I'd like to know what role your ministry is playing in dead livestock removal. In our part of Ontario, there's no market for dead animals. I was just wondering if you people were working with the Ministry of Agriculture and Food and whomever else, to try to have a market or to solve this problem. Meeting with conservation authorities and other individuals—and I have a lot of figures here—they are very concerned. They know that some of these dead or crippled animals will not get to a recycling plant and will be left or buried someplace where they may cause problems in the environment. I was just wondering what, if anything, your ministry is doing about that.

Mr Lal: It appears to me that the question raised by the honourable member refers more appropriately to OMAFRA, the Ministry of Agriculture. We would certainly be more than happy to raise this issue with that ministry and provide you with an answer as quickly as we can.

The Chair: So you're not involved in that kind of issue at all?

Mr Lal: No, we're not directly involved in that issue.

Mr Cleary: Well, I'll just tell you that we have been working with the Minister of Agriculture on this issue. It's a big concern in our part of Ontario, and we don't seem to be getting anywhere. As I said, the Ministry of Natural Resources and others think it could be a big environmental problem.

Mr Lal: We will take those comments under advisement, Mr Chair, and attempt to respond to the honourable member.

Mrs Dombrowsky: Going back to the bottles, we understand that beer bottles are reused. Would that be correct?

Mr Lal: That is so.

Mrs Dombrowsky: Would the ministry have any understanding why it is a worthy, worthwhile initiative for that industry and not for the soft drink industry?

Mr Lal: Mr Chair, I'll attempt to answer that very important question. There are several reasons why the beer bottle refilling process is successful. For starters, the beer companies in Ontario see the system of refilling beer bottles as a discouragement to their American competitors to come and sell beer products in Ontario. Therefore, there is an incentive to encourage the development of that process.

Secondly, the system has been in place for a very long time, and is privately run by breweries that are in this particular business.

Thirdly, it already has specific locations, namely the beer stores, where the empty bottles could be returned. They have a very sophisticated and well-established practice to reclaim and reuse these bottles.

Finally, of course, the cost to the beer companies is reduced if they are able to reuse these bottles as opposed to having to buy new bottles every time they put the product in.

For all those reasons, I respectfully suggest that the beer situation is quite unique and quite different from what it would be in respect of any other refillable container.

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Mrs Dombrowsky: Just a comment. I would agree that the first point, with regard to the advantage over their competitors, is valid. Certainly the returning of beer bottles is a long-standing arrangement in this province, and I suggest that if soft drink companies implemented such a policy or program, in time it would be a long-standing arrangement as well. I would hope and think that if there are efficiencies in beer companies' reusing bottles, those same efficiencies and cost savings would be enjoyed by soft drink manufacturers as well. So it would certainly be an area that I believe would be worthy and worthwhile for this government to support; that is, to encourage soft drink manufacturers to implement the reuse of their bottles.

Mr Lal: Thank you very much for that comment.

Ms Shelley Martel (Nickel Belt): Thank you for coming here today. I want to start my questions with respect to the blue box program. In 1989 the Ministry of the Environment made two statements with respect to waste reduction: (1) there would be a reduction in solid waste disposal by 25% by 1992 and (2) there would be a further reduction to 50% by the year 2000.

In his 1997 report the auditor said, as you pointed out, Deputy, that the ministry should incorporate the provincial goal in the waste reduction branch business plan to guide all waste reduction activities. I heard you say that had been implemented and appeared in the waste reduction branch manual and also in the business plan. But I look at the business plan and on page 11, under "Resource conservation," I see, "continuous improvement toward 50% reduction from the base year of 1987," and the target year of 2000 has dropped off altogether.

The first question I want to ask is, has Ontario abandoned its 50% reduction target for the year 2000?

Mr Lal: The straight answer to that, Ms Martel, is that we certainly haven't abandoned the goal. We intend to work towards achieving that objective, but that is still very much an objective and a commitment that Ontario has made.

Ms Martel: If that is the goal, and given that the auditor said it should be incorporated, why does it not appear in the business plan, which, for the whole world, would be the minister's and ministry's intentions in terms of accomplishments?

Mr Lal: Perhaps I do not appreciate the nuance you are referring to. Our intention in the business plan is to work towards achieving that goal, as opposed to it having been categorically stated that we will achieve it. There are some reasons for that, if I may share them with you.

The waste is generated by the private sector and other companies and by individuals, not by the ministry. We have to use every persuasive method and every regulatory power we have to encourage these organizations or waste generators to achieve the 50% target. Our commitment is to work towards persuading them to get to that objective. It is not for us to set the goal unilaterally but to work towards that goal. Having said that, I want to assure you it does not for a moment mean that our commitment is in any way diminished.

Ms Martel: Deputy, the goal was for the year 2000, and it's a very important nuance. The target in 1992 was achieved. For all intents and purposes, we're not going to achieve a target of 50% in 2000 unless the ministry has some very specific plans that we are unaware of. So perhaps I should ask that question. If you were to reach the goal in the year 2000, what specific actions would the ministry have to take now in order to do that?

Mr Lal: First, I'd like to say that we are very close to that goal. Our estimates are that we are somewhere between 39% and 40%. But in terms of what actions would be necessary if we were to unilaterally achieve that goal, I'm going to pass it on to my friend, who is an expert in the field, and he will probably share his views with you.

Mr West: I'd like to add that the number we're at currently is based on the 1998 figures, so we still have two years to report on. I can't conclude where it's going to fall out in terms of when we report on the actual 2000 numbers, but that will be a couple of years out.

The Waste Diversion Organization clearly has a mandate to drive waste diversion here in Ontario and to achieve that target as quickly as possible. Whether that's 2000 or shortly thereafter, I'm not sure what the time frame will be, but clearly one of the objectives of the Waste Diversion Organization and one of the reasons why the money is being allocated to organics is that one of the areas we really need to pay attention to and stress even further in Ontario is the whole wet stream, the whole composting issue, which comprises about 30% of our waste stream. We think that's probably the area where we will reach and achieve and go beyond that particular 50% target if we, through the Waste Diversion Organization, give municipalities the kinds of tools and the kinds of efficiencies they need to get at that waste, which is part of the waste stream as well. That's one area where we see clearly movement toward achieving the goal and going beyond the goal as well.

Ms Martel: I really don't see how establishing WDO is going to get you there. It's a voluntary organization. In terms of the funding that has been contributed, it's probably not even one third of the cost that municipalities now have to bear for the blue box program, as they have been given a year, and you have said September, to come back with some recommendations.

What do you do if and when they fall apart or come back with a target that's far less than 50%, or refuse to really ante up in terms of the funding the industry is going to put in to support the blue box program?

Mr Lal: I will attempt to answer that question and then I'll call on my friend to add to it if he so wishes.

Our minister is on record as saying that the establishment of the WDO at this stage may be voluntary but that he would be very open to regulating in this area should regulation become necessary.

We have given a mandate to WDO to look at the blue box program to develop recommendations relating to enhancing efficiencies and effectiveness of that program and to look at appropriate funding that would be needed for an efficient and effective blue box program to function. One of the issues they would have to deal with is equity in terms of the generator of the waste versus the cost that that particular generator has to bear to ensure there is equity in terms of who pays for what. We anticipate that by September we will have a comprehensive set of recommendations which will deal with these issues. I do not believe they have the mandate or the authority to diminish the 50% target that Ontario is committed to. Therefore, we do not see that there would be any risk of having that target in any way reduced simply because it's WDO that is now dealing with it.

Keith, do you wish to add to that?

Ms Martel: Deputy, before you get further, then, what is the ministry's position with respect to what kind of

cost the industry should carry with respect to blue box? Should the industry carry the majority of the cost, since it's their materials in the blue box?

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Mr Lal: The answer is yes.

Mr West: The funding formula that is being looked at is up to 50%, of which the industry contribution would pay for that 50% funding.

Ms Martel: If I look at 50%, I'd be hard pressed to argue that the industry would be covering the majority of the costs on the blue box. Fifty per cent is half; it's not the majority. Yet we're talking about articles in the blue box that are coming directly from newspapers, the soft drink industry etc. I'm assuming you gave them this direction. Why would the ministry tell them to look at a strategy that would cover up to 50% if you believe they should carry the majority of the cost? It should be much higher.

Mr West: I think there's another part to the equation, and that's the equation that goes beyond the blue box and looks at other opportunities for funding on the whole composting side, on the household hazardous waste side. That very much puts us into a situation where industry is paying the majority of costs associated to the programs that the WDO is implementing.

Ms Martel: What is the cost that municipalities bear now on the composting side versus the cost they bear for blue box?

Mr West: At this present time, the municipalities pay for the lion's share of composting costs unless they have an arrangement with industry whereby they have a build-operate contract situation.

Ms Martel: Can you tell the committee what those costs are?

Mr West: No, I can't.

Ms Martel: Is that data that would be available? You said you were surveying municipalities on an annual basis now. Do you gather that data?

Mr West: We survey municipalities on how much they are composting. We have not surveyed them on what their composting programs are costing them at this point in time.

Ms Martel: I would think that would be an important piece of information for the ministry to have. You're saying to me, "Well, 50% is only one part of the equation; that's just the blue box side," but you can't give me an idea of how much composting is costing municipalities so I can't make a realistic judgment as to whether or not, if the WDO does its work, they are actually going to be assuming a substantial portion of the costs. If the composting costs for municipalities are far less than for blue box, they are still not going to benefit significantly if all you are asking industry to do is cover up to 50% of blue box costs.

Mr West: I accept your observation, but I do think one of the things the WDO has been mandated to do—first of all, its first principle is to look into sustaining the blue box program. Then it also, as part of the MOU, looks at making sure the other programs around com-

posting, around household hazardous waste, are sustainable. So that's the second part of the mandate that the ministry is looking for out of the WDO. But the first principle is, let's get the blue box sustained and get it up to 50% funding of operating costs.

Ms Martel: Do you have any idea about the costs on the hazardous waste side for municipalities?

Mr West: No, I don't, but I expect that to be part of the report that will come in to the minister. There is a report that is also required to the minister, and there has been a very extensive committee put together with broad representation to look at the whole issue of funding of the household hazardous waste depot program at municipalities. We expect that to be part of their report.

Ms Martel: How solid is the commitment that the ministry made to the industry, then, that they would carry 50% of the operating costs? I ask that question because it sounds to me like you have some costs which should have been factored in before a decision like that was made: some costs around composting, some costs around hazardous waste. Is that a very solid commitment that you've already given the industry to say they will pay no more than 50% of the net operating costs?

Mr West: No. On the blue box, we've said up to 50% to them. There is no magic in that, in that if a different formula comes in the recommendation, the minister and the government will certainly consider that. There has been no commitment made whatsoever in terms of the proportion of costs around household hazardous waste. In fact, I would suggest to you that on the management side, the expectation will be that 100% of the costs will be paid on the managing of the waste that comes into those depots on the industry side.

Ms Martel: And they have been advised of that?

Mr West: The process is such that the ministry is asking a number of stakeholders, a number of partners, to work out what is the best approach to dealing with some of these issues and bring back a funding formula related to that. It's a model that suggests that there are those out there who have a real interest and have that kind of expertise—and the ministry is certainly participating in that—that suggests that they are looking for an approach whereby a committee structure will look at those issues and look at what is the best model, what is the best way to fund that. I think that's a very good approach in terms of getting the best advice from those who are experts in this field.

Ms Martel: Can you tell the committee what specific commitments you gave to WDO as it started its work? We have what I feel is a commitment with respect to operating costs. Were there other commitments made, and can you tell the committee what they were?

Mr West: All of the commitments, all of the requirements of the WDO are very clearly set out in a memorandum of understanding. It's all in the public domain. Everything in the MOU is the expectation the ministry has with the WDO, and there is nothing around commitments to industry beyond what is in the MOU. That's the same for commitments to municipalities as well.

Ms Martel: I understand that. I think they've been dealing with their commitments for a while, because they have essentially been the ones carrying the blue box program all of this time, right? They are very clear about their commitments; they've been funding the program.

Mr West: Yes. There's nothing beyond what is in the MOU as to what is being asked for. There is a very clear process. We are asking them to report back in to the ministry on program development and funding of those programs.

Ms Martel: Deputy, you said earlier that if for some reason this process doesn't work, the minister has said publicly he would regulate this area. Can you tell the committee what that means?

Mr Lal: What it means is that the minister is looking forward to receiving the report from WDO in September, and if the report indicates that it is appropriate to regulate the functioning of WDO through a regulation as opposed to it being a voluntary organization, he would then take that recommendation to his cabinet colleagues for approval and, if that approval is forthcoming, he would regulate that area.

Ms Martel: He would regulate the committee itself and the funding formula itself.

Mr Lal: That's right.

Ms Martel: And if the committee doesn't come back in September? Have you also given the committee a strict timeline with respect to recommendations expected back by September?

Mr Lal: That is so, and all those commitments are contained in the memorandum of understanding. The timelines that have been set by WDO are in contemplation of a report by September of this year, so we fully anticipate that they will be filing a report with the minister by September.

Ms Martel: Does the \$9 million that was contributed by the LCBO over the two years cover the cost that municipalities bear with respect to what's in the blue box in terms of alcoholic beverage containers?

Mr Lal: I'm not sure that I can say definitively whether it covers the cost or not. I don't believe we have detailed figures of what that cost is. But it certainly goes a very substantial way toward covering those costs. Keith, you may have—

Mr West: That's very correct.

Ms Martel: So I can understand clearly, when you survey municipalities about what is happening with their blue box program, what information do you ask them for?

Mr West: We ask them for information around the households they are covering, tonnages of all the materials that are within their programs and what they are capturing; that's the survey. So at a minimum, every municipality reports in on seven materials, as required under the regulation, and they give us the total tonnages they are capturing within the blue box program.

They also report on their other waste reduction programs, such as composting, what materials they are

accessing there and the tonnage of rejections out of that program as well.

Ms Martel: Of the seven materials they are reporting on, I'm going to assume that wine and liquor bottles are part of that.

Mr West: Yes, they are, in that glass containers are a required material to be collected in the blue box.

Ms Martel: Is a distinction made between wine and liquor bottles and other glass?

Mr West: No, there is not.

Ms Martel: So it would be hard for you to determine, in terms of the LCBO, for example, what that portion is for municipalities. What I'm getting at is that the \$9 million doesn't cover it. It is one item that the government has direct control over, because we're talking about revenues that the LCBO would otherwise give the government for health care, education etc. Is it a cost that the government could match if they had some clear idea of what the cost was to municipalities?

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Mr West: We have other indicators in terms of liquor and wine sales in Ontario that help us come to decisions around how many containers are actually in the system versus how much is being reported on and things of that nature. So we do have some comparative numbers we can use.

Ms Martel: So you believe the \$9 million over two years adequately, or close to it, covers what the municipalities' costs would be for the blue box.

Mr West: This is not something I can say to you definitively, but yes, we're comfortable that this is paying the lion's share of the costs that municipalities have for wine and liquor containers.

Ms Martel: Why would the newspaper industry not be making a monetary contribution to offset some of the municipalities' costs?

Mr Lal: The newspaper industry has made a commitment for \$2 million in advertising space.

Mr West: One million per year.

Mr Lal: One million dollars per year. We hope very much that WDO can actually persuade them to make a cash contribution. This would be one of the issues that WDO would be dealing with in its September report in terms of fairness of the partners. We will await getting their recommendation, but at this stage we have been able to persuade them to give us advertising space which, by the way, is extremely important if the WDO programs are to get the profile they need. We hope that in due course there will be a cash contribution coming from the newspaper association.

The Chair: From the government side, Mr Barrett.

Mr Toby Barrett (Haldimand-Norfolk-Brant): Deputy Minister, I have several questions, again continuing with the Waste Diversion Organization. We see it as a partnership or a working together of industry, municipalities and some other organizations to come up with something ideally very practical and cost-effective to continue to divert waste out of landfill. I understand there is a one-year memorandum of understanding. I was

wondering what strategies are in place to ensure that the work of this organization would continue beyond one year.

Mr Lal: As I indicated, the minister, through the MOU, has given to WDO the mandate to look at not only the blue box area but at waste diversion generally. We hope and we expect that between now and September the board of directors of WDO will carry out a full analysis of the issues involved in waste diversion and that they will be filing a report with the minister by September. We think the report will be very useful to the ministry and to Ontarians generally in terms of determining what future course of action to adopt. On receipt of this report, I would assume that the government would act in accordance with its recommendations.

Mr Barrett: We've certainly been hearing a bit about the costs of recycling, a concern that these costs are in some cases unfairly transferred to the taxpayer or to the municipal taxpayer. The Waste Diversion Organization has a funding target of \$27 million. I wonder how this \$27-million target was determined. Where does the money come from or how is this to be achieved? Can you tell us a bit more about that?

Mr Lal: Certainly. The funding target of up to \$27 million was set in the MOU as a long-term sustainable funding formula, of which the LCBO, we hope, will contribute \$5 million. This target was based on an extensive multi-stakeholder consultation process that took place in 1998. The Recycling Council of Ontario roles and responsibility process was involved. The WDO initiative emerged in part through this process. Through the RCO process it was also determined that the net cost of operating the blue box program is approximately \$46 million annually. We thought industry would be asked to raise up to \$22 million, with the LCBO contributing \$5 million. The WDO, as I've indicated, has been asked to make recommendations by September as to how the funding formula can be achieved.

Mr Barrett: OK. We also heard earlier that Prince Edward Island, with a very small population, apparently is the only jurisdiction that actually refills soft drink containers. Recycling makes sense, but to get consumers to use the kind of product that can actually be refilled again—going back to those original regulations, to what extent were those regulations out of step with where the consumer was coming from? I just want some more information on that. Are there any other success stories beyond Prince Edward Island or are there not?

Mr Lal: As I indicated, our information is that out of all the provinces and 10 states in the United States that have a system of collecting soft drink containers, Prince Edward Island is the only jurisdiction that actually uses those containers for refilling purposes. All the rest of the jurisdictions in fact put those glass containers into their recycling system.

Mr Barrett: In so much of this business, whether it's waste diversion or cleaning up water or cleaning up air, many of us put a great deal of faith in technological advancements and innovations. As a society we have an

ever-increasing ability, and we certainly have the prosperity in a booming economy, to foot more research and put more emphasis on some of the technological answers. In this business, as far as diverting waste is concerned—of course, there's work being done on composting—what kinds of innovations are out there? What kinds of answers can we look forward to?

Mr Lal: The Ontario industry is really a leader when it comes to technologies relating to environmental areas, and the waste diversion area is no exception. Technologies designed to for instance process mixed waste are an area where recent developments have occurred. This technology has the potential to divert much more material from the waste stream than can be done at present. It also is a way to recover the energy value in some non-recyclable materials.

Another development is the collection of waste and recyclables in a single pass, what is referred to as co-collection. This uses specialized equipment to collect waste and recyclables in one pass and thereby save substantial operating and capital costs. So there are a lot of new technologies which could be very helpful.

1150

Mrs Julia Munro (York North): I too have an interest in this question of waste diversion. In your comments, when you mentioned the program looking at the number and location of material recovery facilities, which is I guess where you just ended in terms of your comments with regard to Mr Barrett, I think it's important for people to understand the kind of leadership that you have suggested here. I guess one of the kinds of things that people need to understand is the opportunity to treat things differently according to what they are and the question of what is the most effective way.

I would like to come back to this issue. One of the things that there's been much discussion about is the question of the 50% waste reduction. In the range of options that are open for discussion and study, do you have information that would give us a sense of where in those municipalities there has been a fee per bag and what kind of results that has had in terms of waste diversion?

Mr West: Yes, we've had some considerable experience now in Ontario and as a ministry we do monitor those municipalities that have implemented what is called the user-pay system. The user-pay system is usually user-pay for garbage. Each municipality does it a little differently, so you're not always comparing straight apples to apples. But most municipalities allow you two or three bags of garbage and then for any additional you pay a charge, usually around a dollar. But they all differ. We now have 100 in place in Ontario. There's been substantial growth over the last three or four years, and that will increase. We know of other municipalities that are seriously looking at this issue. The impact, depending on the program, can be substantial from a recycling perspective, anywhere from a 25% to 50% increase in the amount of recycling tonnage that is associated with the program. It is very much dependent on what the program

is that the municipality rolls out, but it has a substantial impact if they do it aggressively. Most householders respond very positively in terms of the amount of waste they are putting into the recycling side rather than into the waste side.

Mrs Munro: If I could just follow up on that, does this mean that the Waste Diversion Organization has in its mandate an opportunity to point to best practices or things like that that would give other municipalities that might be considering such undertakings a sense of what's out there and what they might expect or, frankly, pitfalls they might want to avoid?

Mr West: Absolutely. One of the mandates of the WDO is to share information. There is a communications committee that has been set up under that and they will be reporting regularly. They have monies available and already some programs in place that target municipalities on best practices and improving their systems, and that is expected to be reported upon. At the end of the day, a report is expected as to how effective the programs that were put in place by the WDO have been. So there is very much an opportunity to do that.

Mr Lal: If I could just elaborate on that, there are two other factors as well that I think are important to keep in mind.

The WDO board consists of industry, municipalities, MOE and anybody else who's substantially involved in the waste diversion business. Therefore, it is a board of directors that has a collection of people who have a great deal of expertise in this area. With the substantial representation of the municipalities there, through the Association of Municipalities of Ontario, there will be a very good opportunity to relay best practices that municipalities discover to other municipalities.

In addition to that, we see the WDO taking very much a leadership role in terms of finding solutions to these very complex issues. Part of their mandate will be to look for best practices and for efficiencies and for cost savings. We really do believe that if it is given the appropriate support it has the potential for providing great leadership in this area.

Mrs Munro: Perhaps my next question is a bit premature given the fact that they do have a timeline in which to report, but I want to go back to the issue of the material recovery. Is there a bright future for that? Is it something that you see an expanded role for within the province?

Mr West: In terms of the cost or in terms of the amount of product going into—

Mrs Munro: I guess that one is equally important, but I was thinking from the standpoint of the amount of material that would go there and I am assuming that with that would go some efficiencies.

Mr West: We are seeing an increase every year in the amount of tonnage collected in the blue box program, so very clearly we are putting more tonnage into the system and that is being recovered and being reused for other purposes, from a recycling perspective.

The markets that are available are also maturing. They are markets that are internationally based, for the most

part, and they are reported upon and given to municipalities so that they know what the market conditions are going to be when their material ends up at their facility and they subsequently market. They know fairly carefully what the spot price is going to be. That's monitored and shared with municipalities. It will continue to be shared to municipalities under the WDO as well.

Mrs Munro: I don't know how much time—

The Chair: You've got three minutes left. I assume that we're going for another round this afternoon anyway, right? Yes. Go ahead.

Mrs Munro: I wanted to ask a final question with regard to the mandate of the WDO, and that is in the area of research and technology in the area of the business of garbage. Does it have a role there? Is there a direct liaison with any kind of research that's being done in this area?

Mr West: The closest that you'll see within the program at this point in time is clearly a real role for technology to play in the efficiencies and effectiveness. A lot of the solutions that will come out in terms of how best should a material recovery facility operate will be technology-based, so there are monies set aside for that.

In terms of research, at this point in time there is no particular fund that goes towards that, but again, a lot of the research and a lot of the technology will come out of how we improve the system. As we put moneys towards that, a lot of that will come out into play.

That doesn't mean that when they report back in the future they report back on the need for research to take place and that there be some funding made available to that. That's certainly open as part of the future mandate of the WDO.

Mrs Munro: Thank you. Do you have a quick question? We only have a couple of minutes.

Ms Marilyn Mushinski (Scarborough Centre): No, I can wait until this afternoon to ask it.

Mrs Munro: OK, thank you.

The Chair: You actually have one minute left. No?

Mr Maves: I gave her a minute, if she wants it.

Mrs Munro: I'm going to waive my minute.

The Chair: You've just waived it then. Thank you very much. Thank you for attending and we will resume again at 1:30 this afternoon.

The committee recessed from 1158 to 1332.

The Vice-Chair (Mr John Cleary): Committee members, we'll call to order the afternoon session on the auditor's report. It's my understanding that we're going to go another round of each caucus of 20 minutes. Is that correct? If that's the case, we'll ask Mr Gerretsen. He wants to make a presentation.

Mr John Gerretsen (Kingston and the Islands): Thank you very much for taking the chair this afternoon, Mr Vice-Chair.

I've got a number of questions relating to the whole recycling program. They relate to the fact that it's my understanding that 96% of all the beer bottles that go out into the system come back at some stage, which is a

highly laudable goal. It's quite a successful program, obviously.

Why can't this be done with soft drink bottles as well? It was at one time when we had a deposit system, I don't know how many years ago; maybe 25, 30 years ago. Could you just give us an explanation on that?

Mr Lal: I will certainly attempt to do that, but then I will also call on my colleague Mr West to give us some more details.

As I said in the morning, there are some very real differences between the beer industry's rebottling system and what is proposed for soft drink containers generally. They have a very well-established system that has been running fairly effectively for a very long time. They have the advantage of the consumer going to buy the product at a specific location where he or she can also return the empty bottles. They also use—

Mr Gerretsen: But with all due respect, that also applies with respect to soft drink bottles. They could be returned to the same place. There may be many more places because of convenience stores etc, but if a system were initiated whereby there was, let's say, a deposit system on soft drink bottles, whether they're plastic or glass, the likelihood is that most of those bottles would be returned at some retail outlets.

Mr Lal: We're not saying that a system could not be developed. We're just saying that it would be more complex because there is a variety of shapes and sizes of containers, whereas the beer industry has standardized the container so it can be used by a sister company or by a competitor.

Mr Gerretsen: With all due respect, that used to be the case, but there are an awful lot of different bottles out there now. At one time they were all the same, but there are a fair number of different bottles out there.

Mr Lal: To the best of my knowledge, well over 80% of the bottles are standardized. There are some small microbreweries that have different-looking bottles, but for the larger two companies, which use most of these bottles, they are standardized and they are of the same shape.

The point that we would like to make is that the blue box system encompasses not just one kind of container but takes in all kinds of other recyclable material. When you look at the evidence that only one province actually uses those soft drink bottles for refilling purposes, they're essentially all going into recycling. So we think it is far more efficient and far more convenient for the consumer to have a system like blue box, which gives them the option of putting in recyclable materials of various types, as opposed to requiring them to put their newspapers in the blue box and then, for their weekend shopping to the supermarket, to take their empty bottles and their plastic containers. If like the beer industry these containers were going to be reused, there might have been incentive to do that, but since most jurisdictions, as I indicated in the morning—in fact, except for one jurisdiction, every other jurisdiction does not use those bottles for refilling purposes but for recycling purposes.

Mr Gerretsen: I see the point you're trying to make. It's probably more a policy issue, that if the government were to initiative a deposit system and make it mandatory throughout the province of Ontario, then I'm sure the bottling companies would be refilling them like they used to at one point in time. But that deals more with government policy than the program we're talking about.

The other question I have is with respect to regulation 340. You stated this morning that basically you had a legal opinion that indicated that 340 was unenforceable in the courts. Would you be prepared to table that legal opinion with the committee?

Mr Lal: The opinion was done in 1994 and it did not say that the regulations were unenforceable. What the opinion indicated—and I'm afraid I don't have the opinion with me right now—was that we could not, while we were in the process of revising the regulations, charge individuals under that regulation because it would be presumed to be done in bad faith. Therefore, the opinion was that if the ministry was considering revising those regulations, it would be inappropriate to be charging people under that regulation when the government did not have the intention of continuing with the enforcement of those regulations.

Mr Gerretsen: Are you saying then that the blue box program is a totally voluntary operation as far as the taxpayers, the residents are concerned? That it's the force of public opinion, peer pressure—call it what you like—that encourages people to use the blue boxes, but that individuals have not, in effect, been charged for not using a blue box for recyclable materials? Is that what you're saying?

Mr Lal: The blue box arrangement is set up under a series of agreements between the provincial government and municipalities. As you are undoubtedly aware, funding was attached to that as well. There is an educational component to the blue box program as well, and there is experience which has shown people that this is a good way to deal with recyclable materials. But I will pass it on to Mr West for more details.

1340

Mr West: I could add, on the regulatory side, the specific regulation that we have under the Environmental Protection Act. It's regulation 101, which requires municipalities—from a certain size of municipality—to provide curbside recycling, which is the blue box program.

Mr Gerretsen: But does it also require people to use the blue box program?

Mr West: It requires municipalities to pick up curbside and to make it available for the public to access. Obviously, by making that provision, and through education and other factors, the public has picked it up and it is a very popular program with the public in Ontario.

Mr Gerretsen: But can a municipality, in effect, refuse to pick up something contained in the garbage, which to the garbage collector is obviously recyclable material that should be contained in a blue box?

Mr West: That might be a little difficult, in that most garbage stream is put in green garbage bags, and it would

be difficult to assess, as the person was collecting on the street, what was actually in that garbage bag. That would be somewhat difficult.

Mr Gerretsen: Of course, if it's covered, it's difficult. I realize that. So you're basically saying that you are not aware of any prosecutions that have taken place anywhere in Ontario where people have been charged for not using the blue box when they should have? I'm just trying to find some information here.

Mr Lal: No, I don't believe there is any such instance. The obligation is on the municipality. Depending on the size of the municipality, it is required to have a curbside program. It is required to pick up and dispose of the material in accordance with the standards that have been set, but there is no obligation per se on the consumer to use the blue box.

Mr Gerretsen: Okay. Just one other question in a different area before I turn it over to my colleague here, and that deals with the whole waste management and waste disposal area, I guess, the new water facilities that municipalities or private entrepreneurs may want to construct from time to time.

The suggestion was made this morning that other alternatives be looked into as well before the ministry funds water treatment or purification projects. Is that not, in effect, being done through the budgeting process anyway? In other words, is the ministry likely to fund a major capital outlay like that if other alternatives are available in municipalities; for example, if the capacity hasn't been totally used up? I just give that as one example.

Mr Lal: The ministry would look not only at the issue of capacity but at how much homework the municipality had done in determining what other options were available to them, and whether they had explored those fully. The ministry used to take those into account in any case. What has happened is that it is now incorporated into the process as one of the specific terms of any arrangement being arrived at with the municipality.

Mr Gerretsen: Are you prepared to table the written legal opinion that the ministry got in 1994?

Mr Lal: Not having seen the legal opinion myself, and not being the recipient of the legal opinion, I don't think it would be appropriate for me to table the legal opinion at this stage.

Mr Gerretsen: Do you know why it was obtained at that time? Was there any concern—

Mr Lal: It was well before my time, so I'm afraid I can't help you.

Mr Gerretsen: Thank you.

Mrs Dombrowsky: How much time do I have, Mr Chair?

The Chair: You have about eight minutes.

Mrs Dombrowsky: The point I would like to raise first of all relates to the recommendation and the ministry response that is found on page 116 of the ministry response to the report of the auditor. The recommendation from the auditor is: "To be more effective in meeting the provincial waste reduction goal, the ministry

should ... measure and report on the effectiveness of its waste reduction programs to permit the timely adjustment of strategies and the development of action plans." The response to that, I believe, is: "The ministry will monitor and report on the effectiveness of its waste reduction programs."

From my perspective, Mr Chair, I believe the auditor would direct some more concrete action, in that a municipality would be required to measure and report on its effectiveness. I think that puts the responsibility on a municipality to demonstrate that they are doing all they can to reduce the amount that would be directed toward a landfill. However, the response from the ministry is that it will "monitor and report." I don't see anything incorporated in that response that the ministry intends to hold municipalities accountable should there not be a demonstration that they are actively looking toward redirection and reduction of waste.

I raise this because I have had conversations with municipal representatives in my riding where they very quickly remind me that it continues to be cheaper for the municipality to direct waste to a landfill than to recycle it. That's a great concern for me when I understand the pressures under which municipalities are put in these times with the additional responsibilities that have come to them from the government. While I appreciate that the ministry would have introduced some initiatives that may assist in offsetting costs to support recycling, I have not been able to see in this document an expectation that a municipality would demonstrate is putting forward a serious effort to reduce the amount of waste that is going to a landfill and to support recycling initiatives within the municipality. That is an area of great concern to me, Mr Chair, and I suggest that the ministry has a leadership role to play in directing municipalities and placing reasonable expectations that are supported by this government. I know that our environment is a very valuable resource and worth preserving, and I think the government needs to clearly state its expectations in terms of what a municipality should focus on in terms of redirection and reduction of waste within its community.

Mr West: I think your observations are very well taken. First, a point of clarification in terms of the cost of landfilling versus recycling: While it very much differs from municipality to municipality depending on their landfill situation and who does or doesn't own it, I think the majority of municipalities today still find it more cost-effective to recycle than to landfill. I think that is a very clear majority to this date.

In putting together the formula for the up to 50% funding to sustain the blue box program, the memorandum of understanding also asks the Waste Diversion Organization to come up with a plan as to how they see it being disbursed and what criteria they see being in place in order for that funding to flow. One of the clear criteria we will be looking to see advice from the WDO on relates to effective and efficient systems and putting benchmarks in place as to what constitutes an effective and efficient system, and also that very clear diversion

targets be set related to the funding that is being disbursed. I think you'll see those as part of the criteria and as part of the funding formula that comes in as part of the WDO recommendations. So, clearly, your observations are well taken, and I think the WDO has been asked to look at that very issue and to come in with criteria as to how we might effect that.

Mrs Dombrowsky: I do know that in my riding it is cheaper to put waste in the landfill, perhaps because there is a landfill site located in the riding.

Also, with regard to a point made by my colleague with regard to municipalities requiring residents to comply with recycling initiatives, I believe I have had information in the past that some municipalities require residents to place their garbage in clear bags so that if the person collecting the garbage determined that there were recyclables in the bag, they would not pick it up. Is that something in Ontario, or is it something that takes place in another jurisdiction?

1350

Mr West: There have been some very tenuous pilot programs where that was actually looked at in conjunction with a company that provided the clear bags. I am not aware that those pilots are still running. But it's very rare. Most people use the green garbage bag and it would be difficult to see into that garbage bag.

Mrs Dombrowsky: Thank you.

The Vice-Chair: You have another minute.

Mrs Dombrowsky: I have a another minute? I thought I was out of time. I'll pass to Ms Martel.

Ms Martel: I'd like to pick up where I left off earlier this morning, and that's to determine the contribution versus the cost for those members who participate in the Waste Diversion Organization. I'm looking at the \$4-million contribution to this effort by Corporations Supporting Recycling. I'd like to know, Deputy, what is the cost, though, of those products to the blue box system. I'm going to assume that those costs from that waste make up the bulk of the cost to the blue box system.

Mr West: I can say to you that there is no direct connection between the \$4 million and direct costs to those industries. That's one of the things we have asked the Waste Diversion Organization to look at as part of their funding formula.

I can say, from an aggregate cost perspective, that the Recycling Council of Ontario held a very extensive consultation process and submitted reports to the minister looking at the very issue of how much it costs municipalities, from an operating cost perspective, to run their blue box program. They came to the number of \$46 million net for the cost of selling the materials that come in under the blue box program. So we have a very good estimate of what the total costs are. We've asked the WDO now to start breaking that down so that we can take a look at what is the share of each of the industries involved in the blue box whose products end up in the blue box so that the funding formula can be allocated and assessed against those costs.

Ms Martel: I appreciate that. But in order to arrive at a total cost, there must have been some idea of the input

of the different items. I mean, how would you arrive at \$46 million if you didn't have an idea of how much newsprint was in the blue box program?

Mr West: It was done based on a survey of municipalities at the RCO. There was a very extensive committee structure set up. Surveys were sent out to municipalities in terms of determining what the costs of their actual programs were, and then taking those and adding them up in terms of an aggregate cost of the program. So there was no work done in terms of how much does X material cost, how much does Y material cost; it was the total cost to municipalities as they operate their programs.

Ms Martel: So the ministry at present has no idea what that breakdown would be. If I asked you, for example, what would be the cost contributed to blue box via newsprint, you couldn't give me how many millions of dollars a year that might run the program.

Mr West: That would probably be a difficult calculation to make. We will be inputting all the information that we have into the WDO process. We know how much material is in the blue box and we can have some general assumptions as to cost, but it's a partnership that I think a lot of people have to input into, not just the Ministry of the Environment. So actual costs, no. We have information that would lead us to how you could generally determine what the cost would be for each material, and I hope we'll get that and see that out of the Waste Diversion Organization as they put their funding formula together.

Ms Martel: If so much of that is unknown, I worry about a decision which appears to have been made—and if I'm wrong you can correct me—whereby you would assess industry with 50% of the operating cost to blue box. If the work comes back from WDO and you find that in fact some of these input costs are much higher, the municipalities will, at the end of the day, end up carrying the can for at least 50% of all these costs.

Mr West: I think the general consensus of the WDO at this time—they will clearly be looking at this issue—is that the whole perspective is that costs are either staying normal from what they were assessed at when we did the RCO report or have been reduced in terms of overall cost. The whole goal of the Waste Diversion Organization is to input efficiencies and effectiveness into the system, so the long-term projection is that we decrease costs around the blue box rather than increase them.

Ms Martel: And decrease the cost to municipalities.

Mr West: Absolutely.

Ms Martel: Put the share back on the producers.

Mr West: It's just as relevant for municipalities as it is for the industry share.

Ms Martel: This RCO report that you refer to, is that a public document?

Mr West: Absolutely, yes. There's a draft report and there's a final public report that was submitted to the minister, and that is available. They looked at various options in Ontario as to what might be the best system for

Ontario and made recommendations and provided options to the minister.

Ms Martel: Could you table that with the committee?

Mr West: Absolutely.

Ms Martel: That would be great, thanks.

Let me follow down the road where Mr Gerretsen was going with respect to refillables. Deputy, a couple of times when the committee members have asked about this, you've made a point to say that only one jurisdiction, PEI, uses the bottles and refills them.

Mr West: Right.

Ms Martel: And the costs of recycling are being picked up, I'm assuming, by the manufacturers. Is that correct?

Mr Lal: The container is going to the blue box system, and under the WDO arrangement it will be determined what the cost is in terms of an appropriate contribution from the food and beverage industry toward that.

Ms Martel: Deputy, I apologize. In terms of other jurisdictions which have a deposit system, who assumes the cost of recycling in those instances where there is a deposit system in place?

Mr West: They all do it a little differently, but you can pretty much determine that it is the consumer who is paying at the end of the day, despite whether they have what is called a half-back system or a full-deposit system. They all differ a little bit, but there is usually a deposit made, and if you bring your container back, you get some of the money back. I say some of it because usually it's about half, so therefore there is the cost of running that system being applied to the purchase of that product right at the start.

Ms Martel: Let me back up. I don't know if this is the case or not, but if in Alberta they have a deposit system—

Mr West: They do have that.

Ms Martel: —and Coca-Cola does the work to pick up the bottles from the retail outlets, then that's a cost that is borne by Coca-Cola and not the municipality through a blue box system. Correct?

Mr West: In fact, in Alberta they do have a deposit-return system. It is municipally based and they have municipally run depots that the public sends their products back to. It is not into the retail per se. It's back to specific depots that the public take their bottles. They journey to that particular depot in the municipality and return that to get their deposit back.

Ms Martel: And the municipality itself deals with the recycling and gets the revenue?

Mr West: Depending on the system, there is a cash flow back. There is usually a board structure that is put in place that runs that on behalf of the province, even though they are a municipal depot system.

Excuse me. Is it a municipal depot system in Alberta or is it a provincial depot system?

Interjection.

Mr West: I apologize. The cost to industry in that one would be given back to the industry that runs that, and there is a cost associated with that.

Ms Martel: Here's the point I am trying to get at, though. In the case of Alberta, the industry does the collection of the bottles?

Mr West: No.

Ms Martel: From the depot.

Mr West: In fact, it's the consumer who takes it back to the depot.

Ms Martel: And the industry picks it up from there and uses the glass itself for recycling purposes and makes new bottles?

Mr West: John?

Mr John Lieou: My name is John Lieou, Mr Chair. In answer to that question, as far as I know, yes, the glass is used for recycling purposes.

Ms Martel: By the producers themselves, such as Coca-Cola or Pepsi? It's returned back to the producer?

Mr Lieou: No. It's for recycling purposes, just as we do in Ontario.

Ms Martel: Let me be clear. What cost is the private sector picking up under that scenario? Because in response to an earlier question, you said it was—

Mr Lieou: The depot system is operated and funded through the deposit system.

Ms Martel: Who pays for picking up after the depot? After I go and drop my stuff off at the depot, who collects and who is paying?

Mr Lieou: Industry basically supports the system.

Ms Martel: All right. So in fact under that scenario industry is assuming part of its responsibility for the products it's producing and for the waste it's producing, right? It's not being picked up by the municipality 100% and by Joe Q. Taxpayer.

Mr Lieou: Yes. Individual consumers play a role by taking the products back to the depot.

1400

Ms Martel: Even though you have told the committee a couple of times that a lot of these jurisdictions aren't refilling, the fact is that in some of these jurisdictions—we just chose Alberta; there may be others—some of the cost is actually being borne by the industry for recycling. What we have happening in Ontario now, because we have no deposit system, is that the blue box is picking up 100% of the cost, correct?

Mr Lal: That is correct as the situation stands today, but under the WDO arrangement, the soft drink industry is going to be very much a partner. The soft drink industry has already contributed in cash and will contribute its appropriate share, whatever that is, determined by the board of WDO.

Ms Martel: I understand they are going to be a partner. Here's the problem I have: I think they should be more than a partner. We are the only jurisdiction, I think, except for Manitoba, that doesn't have a deposit system now. Clearly in the Alberta example, we've just seen that the industry is bearing that cost, not taxpayers through the blue box, or not the province through the blue box, but in this case, municipalities through the blue box. So it seems to me that rather than just being a partner, we should be seriously looking at having a deposit system

implemented in the province, because then we can shift the burden and the cost back to those manufacturers who are producing the product in the first place and shift the financial burden away from municipalities, which are seeing the bottles end up in the blue box. Right?

Mr Lal: You may be right, but let me elaborate on that. I think if the WDO system works as it is supposed to work, each partner is going to pay their appropriate and equitable share. In other words, they would pay 100% as opposed to the current situation where, yes, they're getting a free ride today.

Ms Martel: You're saying they'd pay their appropriate share, but you've already told the committee, if I understood you correctly, that they're not going to pay any more than 50% of the net operating costs of the blue box. Right? So they're not paying their fair share. On the one hand, you told this committee that the companies that create the waste should be paying for a majority of the share. It turns out that it will probably be about 50% of the operating costs.

My argument is that instead of this province saying to the soft drink industry, "You can be a partner and give us some money," which isn't going to cover the majority of the cost of the blue box, we should be saying clearly to them, "We are going to implement a deposit system in the province," because under that system, in other provinces, then the manufacturers really do pay their share. Do you see what I'm getting at?

Mr West: I think when you look at the issue of deposit return, it's a single material that you're looking at. Ontario's approach has always been a multi-material approach, and I think that has to be taken into account. Other jurisdictions take the approach of assessing single materials and then running a program against that. If you look at the deposit return system in other jurisdictions, their capture rate is higher than Ontario's capture rate, that is a given, but we capture about 55% to 60% of containers in the blue box program at this point in time.

The RCO program did an assessment of deposit return for Ontario and its impact on the blue box program. What you're doing is setting up a duplicate system to the blue box. It only captures one material. That duplicate system, estimated by the RCO, would cost \$80 million to implement. I think that has to be taken into account when you're only capturing less than 1% of the total waste stream, because you're only capturing an extra 25%. Our approach is, let's improve the blue box, let's make it more efficient, let's make it more effective, let's capture that additional rate of material into the blue box system.

I think the other point that needs to be said here is that you would not reduce substantially the cost to municipalities. They would still have to run their truck for the other blue box materials. You're not going to reduce the costs to any great degree at all, but you are going to add considerable dollars to the entire system, and you are introducing two systems that the public will have to get to know and to understand as well. So I think that all has to be taken into account as you look at the system and what's best for which jurisdiction.

Ms Martel: I'm at a disadvantage with respect to the \$80 million because I've never seen the report, so I can't know what they based those figures on. But interestingly, I took a copy of Eva Ligeti's last report as Environmental Commissioner, where she looked at a comparison of the provincial beverage container stewardship programs in Canada. It was very interesting, because not only under a deposit system would we place the financial burden where it should be, which is on to the manufacturers, but through that system I think we'd also be able to divert much more out of what might now go to landfill sites.

If I read what Ontario has done, the diversion rate for Ontario for soft drinks, which she noted, was only 35%; beer was 98%. So clearly we all know that system is working. The diversion rate that she noted for Ontario was only 35%, a third, which means, if I'm reading this correctly, that a whole bunch of stuff is ending up in a landfill site that might not if we had a deposit system.

She went through all of the other jurisdictions, and Manitoba and Ontario were the only two that didn't have a deposit system. Everywhere the diversion rates were much higher than Ontario, and she looked at beer, wine and spirits, soft drinks, waters and juices. In British Columbia, the diversion rate for beer was 93%; soft drinks was 83%. In Alberta overall—they've got a deposit system on all of those things—80%. Saskatchewan overall was 94%. Overall Manitoba was 35%. They've got a levy; they don't have a deposit system. In Ontario, beer was 98% but soft drinks only 35%. As you run through it, Quebec was 77%, New Brunswick was 75%, Nova Scotia was 75%, Prince Edward Island was 90%, and in Newfoundland it was 80%.

In terms of potential benefits, I'm quite concerned that the ministry is heading down the wrong road. Sure, we're going to have the soft drink industry participate as a partner and put some money on the table. But it's not clear to me, as I look at what's happening in other jurisdictions, that we are going to, through that mechanism, really make sure that they assume the significant share of the costs. Secondly, how do we deal with that diversion issue, which still in Ontario is only at 35%?

Mr West: We too have read that report, and I can say to you that our estimates are far higher than those estimates. Again, you're looking at a single material. I think you have to take into context here that containers in most waste streams, especially in Ontario, make up about 3% of your total waste stream. Getting at that other 25% of those containers, at a cost that the RCO calculated to be \$80 million, is a substantial price to pay for accessing probably less than 1% of your waste stream.

Our approach would be that we'd rather take a more serious look at getting at organics, making sure our blue box system captures those additional containers. I think the other point that needs to be made here is that not only do you have two systems in place and not only do you have those materials within those two systems being recycled—so they're both being recycled, they're both ending up in the same situation—but municipalities also lose a significant component of the money they access

out of selling soft drink containers, especially aluminium containers. It is very much a part of the process in terms of the economics for municipalities. So you would lose those costs to municipalities and up the cost of the blue box program. You really have to watch the dynamics of the economics and the waste stream that's at play when you're talking about the total performance of your waste management system, especially your recycling system.

Ms Martel: Do municipalities make money on glass?

Mr West: There is a very consistent market for glass right now, and it has remained constant for some time. I would suggest that glass is probably one of those materials that is either paying its own way or below; it's not a money-maker for municipalities.

Ms Martel: You said aluminium is a money-maker?

Mr West: Very much so.

Ms Martel: What about plastic?

Mr West: It depends on the type of plastic that you're drawing out of the system. They all have different market rates associated with them, but they are also very much a commodity that does go up and down in price depending on the markets, and sometimes you can break even on it and sometimes the municipality doesn't break even on it.

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Ms Martel: Let me ask about an initiative that the city of Toronto tried in July, if I understand this correctly. In July 1998, the city of Toronto passed a bylaw to require the LCBO outlets in the city to implement a deposit-return system for wine and spirits containers, and that was a condition of their license renewal. Are you aware of that?

Mr West: Yes.

Ms Martel: As I understand it, and correct me if I am wrong, the province ended up making an amendment, I was told, to the Municipal Act—I could be wrong—that removed Toronto's power to impose that requirement. Is that correct?

Mr West: That was done through the Ministry of Municipal Affairs, yes.

Ms Martel: I'm going to assume that because it was an environmental issue there was some discussion with your ministry before that was done. Can you give this committee some understanding of why the province would have moved to forbid the city of Toronto to try that as a pilot to see if it was going to work?

Mr West: I think you have to take into account that we have a system in Ontario that the public understands and we have a system that works, from our perspective. It's a system that's drawing out considerable tonnage in terms of volumes of materials. When you get into a situation where you put a program in place that makes an industry such as the LCBO change up the process in which they sell, in which they would have to return back into their system, that adds costs into the systems. I think that has to be taken into account as to the total cost to your system.

Ms Martel: Do you know what the costs were?

Mr West: No, I don't.

Ms Martel: Did the Ministry of Municipal Affairs know what the costs were?

Mr West: I'm not sure if they did or they didn't.

Ms Martel: Why would they make a decision like that, which essentially forbade Toronto to try to see if they could shift some of the financial burden back to the LCBO? Do you have any explanation as to why this was done?

Mr West: I think the other part is that you introduce a system that will obviously require the LCBO to change their stores in order to receive these materials back into their stores, and you may have noticed that the LCBO has been changing their dynamics in terms of their retail presentation. So there are those things that have to be considered.

The other thing is that it's the same issue as with deposit-return for soft drinks. It still ends up in the recycling system, it still ends up being recycled. Are you introducing a second program, a second collection system, into the mix when you already have a process that works well and captures significant materials and is multi-material-focused?

Ms Martel: I might agree with you if we didn't have the clear example of Brewers Retail and how successful it has been. It would be hard to argue—it is a separate system. People use it. It has been a tremendous success.

Mr West: But there is no other jurisdiction that refills the bottles out of the wine and liquor system. They would be sent straight to recycling for recycling purposes. I think there is a difference there.

Ms Martel: I think the only difference is that we haven't tried it yet. I heard the deputy say many times that it's been in place for a long time, but at some point Brewers Retail made a decision to change their outlets, and people have used Brewers Retail at a phenomenally successful rate. Right?

Mr Lal: With respect, and at the risk of sounding like a broken record, you are really comparing apples and oranges. There is only one major brewery per each of the two large companies here. It all gets collected there. Wine is bought in Ontario from all over the world, in different kinds of containers with different types of products put in them. There is an issue of how much of the problem is contributed to by imported glass versus glass generated by local companies. Yes, the beer industry's example is a very good example and I wish we could emulate that in the soft drink area, but I do not think it is really a fair comparison, for all the reasons that I have been enunciating.

Ms Martel: I haven't been in a beer store lately, but the last time I was in there I recall seeing a number of different bottles—imported, Canadian; in Sudbury, Northern Breweries with their own mini-brew as well. I just have a hard time believing—

Mr Lal: I can assure you it is less than 5% of all the beer sold in Ontario that is different; 95% is standardized bottling.

Ms Martel: Let me ask one final set of questions, if I might. This has to do with your changes to the environ-

mental assessment procedure. In his 1997 report, the auditor had called on the ministry to "establish monitors to measure and report on the effectiveness of the process and to monitor compliance with the terms and conditions of the approved projects." It's the monitoring of compliance with terms and conditions of approved projects that I'm particularly interested in. Can you tell me what systems—database, audit etc—you've put in place to monitor terms and conditions to guarantee they're being met?

Mr Williams: Yes, I'd like to respond to that. We have a database system in place. It was instituted in the past year and it's a system that has a series of decision points relative to conditions of approval for projects attached to it that essentially flag key dates and times when staff need to ensure there's appropriate follow-up with those conditions. That particular system, as I said, has just come into play. We've been using it for the past several months and we expect that it will give us a great deal of success at looking at the types of conditions that will require follow-up work.

Ms Martel: Are you implementing this for previous cases as well?

Mr Williams: No, the data that are being entered in it are for all of the cases and projects that are currently underway in our ministry. If there was a previous decision, it is not entered in that database unless there has been an entry because something needs to be checked or something needs to be complied with at a carried-forward date into the future. So if we needed to check something under a specific project, June 2000, then we would be making an entry into that database, the date June 2000 would come up and it would give staff the clue that there is something due from a proponent or around a project that requires follow-up, whether it's a report, an action item etc.

Ms Martel: How are you dealing with follow-up on terms and conditions from previous projects?

Mr Williams: Previous projects that have been approved—we don't have any specific measures to deal with follow-up for previous conditions other than that one needs to bear in mind that the environmental assessment approval is a planning level approval and there are a whole host of permits and other authorizations necessary by other provincial ministries or agencies, and in some cases the federal government, before you can implement that particular project. It's through those permits and the conditions attached to those permits that there would be follow-up.

Ms Martel: What about the case where there aren't those kinds of permits that have to be required, where the obligation is on a ministry to do something, produce something?

Mr Williams: In the case of where the obligation is on a ministry to do something or produce something, they would be required to file a report with our ministry indicating how they have complied with that, and there are various time frames associated with that. For example, under some of the class environmental assessments

quite a number of years pass before there's a final due date for something, and I can assure you that the discussions are being held with those particular ministries and we will have reports that meet the due dates for them.

Ms Martel: Just as I finish, I want to give you an example, all right? This is the class EA for timber management. Right now we are awaiting reports from the Ministry of Natural Resources with respect to two of those conditions: (1) the annual report on timber management that was required by term and condition 82, the last one of which was produced in 1995-96—we haven't seen anything since then even though it's supposed to be produced annually; and (2) the state-of-the-forest report that was required as term and condition 84, which has never been produced either. There are a whole host of reports that have never been produced by MNR. My colleague Bud Wildman, when he was here, and I actually asked Ms Ligeti to investigate another term and condition, 77. It took a whole year for the environmental assessment branch to even give us a reply to the investigation. So in terms of your past projects, sorry, but with respect to this ministry and this project the MNR is notoriously late or behind or not producing anything that it's supposed to produce as a result of the terms and conditions outlined here.

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Ms Mushinski: In order for us to really establish the future of the WDO, I need to have an understanding of what was in place before we established WDO. I know the ministry has gone through some very serious business planning exercises to establish target goals and measure performance indicators and those sorts of things. Was any of that in place prior to the establishment of the WDO and in terms of setting any mechanisms for the funding of the blue box program before 1995?

Mr Lal: Thank you for that question. Until 1998, the ministry administered several different funding programs to assist municipalities with their waste diversion activities. The cornerstone of these programs was the municipal recycling support program, or MRSP, which helped municipalities implement curbside recycling systems. However, the MRSP offered funding for up to five years for operating and capital costs as well as for the demonstration projects and promotional activities.

The ministry discontinued its 3Rs funding program in April 1996. Municipalities, however, were eligible to receive funding until March 31, 1998, at which time all funding ended.

The LCBO paid grants to municipalities in 1999 for the costs they incurred in 1998 to recycle glass containers sold by them. This funding has now been incorporated into the WDO plan fund, as I indicated earlier on.

The ministry will also be detailing that current system, the WDO, as we think it brings together a variety of partners, which was not the case under the old system.

Ms Mushinski: I take it then that the MOU also envisions the establishment of some kind of business plan toward achieving the 50% reduction?

Mr Lal: Yes, it does. Excuse me; I just need to confirm that. Does the MOU do it?

Mr West: The MOU itself still maintains the goal of 50% and it says, "Here's a series of programs that we want you to implement, and we want you to look long-term as to how we sustain and grow this." The clear intent of the MOU is to enhance the blue box program and other recycling activities and other diversion activities of municipalities and to ensure that it's sustainable from a funding perspective.

Ms Mushinski: I'd like to pursue that, if I may, just a tad. You've mentioned that in addition to looking at the blue box program, the WDO will also be examining household waste; for example, household waste management programs, recycling of tires and that sort of thing. Can you enlarge a little bit on that? We seem to have zeroed in on one particular component of waste diversion, and I'm wondering if you could tell us what you envision the WDO doing in terms of a larger waste diversion program.

Mr West: We've talked a lot about other jurisdictions. If you look at other jurisdictions, they've taken a single-material approach to most of their waste diversion activities and they've put a very complicated administrative overseeing body over top of those materials and the way that they approach things.

The WDO reflects what we consider to be Ontario's multi-material approach in that we feel there should be one organization that should have responsibility. Its primary focus, to start off with, is clearly the blue box, to make sure it's sustainable and to make sure we enhance it and grow it. But as you mentioned, we're also very much interested in making sure that for household special waste we have additional depots in place in Ontario. We have a good infrastructure already, but there are monies allocated to see that grow; also, to have a program whereby the waste that is delivered to municipal depots can be managed properly and disposed of in a satisfactory manner. So that's certainly a priority within this next year for the WDO to report back to the government.

In terms of the long-term perspective of the WDO, this umbrella organization as it grows and matures, the intent is that from a multi-material perspective we look at issues of used oil, we look at issues of used tires, we even look at possibilities of getting into take-back programs around pharmaceuticals and other materials that are clearly of issue. While we have programs in place, the WDO provides us with an opportunity to enhance those programs and to seek the private sector funding towards the delivery of those programs in a more enhanced nature. Clearly, the objective is to continue the multi-material focus, make it broad-based, make sure that the industries that are producing the materials that come into those programs are part of the solution, part of the funding and part of an overall plan to ramp up waste reduction in Ontario.

Mr Bart Maves (Niagara Falls): Just going back, you had said that glass was basically a break-even, give or take, or a little bit of a cost.

Mr West: I haven't looked at my most up-to-date figures, but glass has traditionally been a material that clearly does not pay its way in the system. It does have a fairly constant market and it is normally below the grade rather than at the grade in terms of program cost.

Mr Maves: I just want to go through the five things that I know I recycle: cardboard—break-even, money-loser?

Mr West: Again, it depends on what kind of cardboard. We have boxboard, cardboard and corrugated containers. We have a very mature recycling market for boxboard and corrugated containers now. I forget what the costs are, but it does pay its fair share in the program at this point in time. It may also at times, depending on market conditions, dip below paying its way.

Mr Maves: OK. Cans are a money-maker. Plastic?

Mr West: It depends on the stream very much. Some are not money-makers, some are a cost to municipalities.

Mr Maves: When you average it all together, is it a break-even or a bit of a loser?

Mr West: I would suggest that it's probably close to break even, if a little—

Mr Maves: And newsprint?

Mr West: It's hard to determine. Because there are different programs in place, depending on the newspapers and who's getting what and who's paying what, up until about a year ago, I think that the floor that was in place made newspapers a money-maker. Now it's more on the spot market. I don't have current figures on that.

Mr Maves: Some of these five things are money-makers and some of them break even.

Mr West: And some of them are money-lossers. I don't want to misrepresent this.

Mr Maves: But there doesn't seem to be a lot of loss.

Mr West: No, I don't want to leave that impression. We have a net operating deficit for municipalities of \$46 million. I think that very much is associated with the fact that there are transportation costs associated with collection and things of that nature and infrastructure costs around material recovery facilities. I don't want to leave the impression that these things are always making money because that is not the case. It's certainly the goal, but it's not always the case.

Mr Maves: The auditor said that without the blue box program it would actually cost the municipality more money. They would have still incurred the cost of disposing of their recyclable materials for landfill and they wouldn't receive any revenue to offset disposable cost for recycled materials. That also doesn't include the costs to society and the environment of having all of those materials in landfill sites. When you figure all of that in, the auditor seems to think that the blue box program is a better way to dispose of these materials.

When we say that municipalities, governments, have the traditional role of taking society's garbage and disposing of it, this is a program which is better for the environment because you're putting less of these materials in the landfill site, giving a longer life to the landfill site. Do you have any estimates of dollar values of what the

benefits to us are of not having all of these materials just going into a landfill site?

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Mr Lal: Maybe I will attempt to answer that question and then see if Mr West wants to add to it. I think our blue box system is really a very successful initiative. Today, it serves 3.8 million households and more than 90% of all households in Ontario. In 1998, for instance, 650,000 tonnes of material were recycled as opposed to being sent to landfill sites. This is a 42% increase in terms of recyclable materials compared to 1994 and represents about 170 kilograms of recycled material per each household. It is truly a very successful program.

Mr Maves: OK. As a consumer, when I put my garbage out I've got all kinds of food products, food packaging. I've got my recycling, I give them my plastic and my glass and my cardboard and my paper, and so on and so forth, and I put those out every day. I try to be conscientious, but obviously a lot of food items get in the garbage and some of the packaging from food items still gets in the garbage and goes to the landfill site.

It's interesting to me that as a society we want to recycle these products because we use fewer trees if we're using recycled paper and fewer ores if we're recycling aluminum cans and so on and so forth. We're pursuing this line of making the producer pay, and in this instance it's WDO; you're going to make the producer of these products pay, to not send these things to the landfills for this garbage collection. So we're going to put a tax, in effect, a voluntary tax, on these people to collect those products and to dispose of them in a certain way; municipalities sell them, so on and so forth.

But wouldn't it hold true then that we should be putting a tax on farmers and producers of other packaging that have food products that go into the garbage and go into landfill sites? It's municipalities that pay for that, wholly and entirely. Why do we have the different opinions about the different products? It's still garbage disposal. It's a better way of doing it. It's better societally and environmentally for these five products in particular to be recycled, yet here we're saying you have to pay for that. But there are all kinds of other products that go into the garbage that the companies that produce those products don't have to pay for. We're not even thinking about asking them to pay for it, yet, it's the municipalities, it's the taxpayer picking up the cost of that. There's something strange there. Yet obviously the companies, in their recycling program, are saying, "Yeah, we'll pony up." I understand they ponied up \$20 million in the first place for the blue box program, which no one has mentioned here today. That's a substantial sum. Any comment on that?

Mr Lal: I don't know whether I would use the terminology of a tax. I know what you mean, but as you are probably aware, there are issues relating to taxing it versus paying the cost of actually running their recycling program. So, yes, we are asking those companies that produce recyclable materials to pay towards the cost of recycling that material. I think, again, there are some

differences between those materials for which there is a recyclable market and where there is an ability to recoup or reuse those articles versus products that are going to disintegrate and, therefore, will not have a market. We are very big on composting, for instance, which takes care of food products that can be reused in various varieties, but I'm not so sure that we could even begin to assess a system which would say we would tax food producers to a certain point for their contribution to garbage.

Mr Maves: We would never dream of that. We would never even dream of putting—

The Vice-Chair: Thank you. It's my understanding that we were going to go another hour. We're pretty flexible, if you want make another round.

Mr Maves: No. We were just going to finish our 20 minutes, I thought.

The Vice-Chair: It was my understanding that you gave part of your 20 minutes to the New Democratic Party.

Interjections.

The Vice-Chair: That's what I understood. You didn't make it clear. Well, if you want to go on for another four minutes then, if that wasn't the case, but we'll have to watch that closely the next time.

Mr Maves: OK.

Mr Gerretsen: I'm with you, Chair.

The Vice-Chair: Put your foot down then.

Mr Maves: I have some statistics that have been given about Alberta. I lived in Alberta for three years and I hated their program. I'm sure there were cans in Alberta. I'm not sure about newspapers, but I know there were glass bottles, and I know they'd lie around my house for two or three months until we finally got enough to get together and throw them all in the garbage can, dump them in the car, and go down to the facility and turn them over.

I remember as a kid we had a refillable bottle program and I loved it because I could get 10 cents a bottle, but it was also a pain in that you had all these bottles lying around the house. And it's inconvenient. When you go to the store you've got to get a 750-millilitre glass bottle and it's really heavy compared to a two-litre plastic bottle.

There doesn't seem to have been the push from either party to move on this 30% refillable at all. There doesn't seem to have been any societal push, and it seems to me that society likes their two-litre, non-refillable bottles. It's convenient. So isn't it therefore appropriate that society also decides when they make that choice that we're going to absorb the cost of that?

Mr Lal: That is certainly one element of it. Consumer convenience is a very important factor. I also think that society generally is very concerned about the environment and is very concerned and very interested in recycling material as much as possible. It really is a whole spectrum of issues that you have to look at, from convenience to whether these bottles are being used for refilling or whether they're just being used for recycling,

to creating a parallel system, to the cost of creating a parallel system, to the issue of who manages that system and what sort of additional cost or burden you may be putting on municipalities or taxpayers should it not be able to sustain itself.

So I think the government, in its wisdom, has decided that it is much better to have one system which would have different materials that could be collected, where the sorting out would be done somewhere else but the consumer would not have to go to different locations to deposit their soft drink bottles versus their newspapers versus anything else. And really it's our view that if the blue box program is funded well and if the cost of running that is equitably and fairly divided among the producers who actually produce these materials, and that we encourage the growth of a recyclable material industry, these are all very positive aspects and we would rather go in that direction than create five different, separate streams. Because why would you stop at just soft drink bottles? Why would you not have a separate system for newspapers, and why would you not have a separate system for plastics or cardboard? That's the reality.

Finally, I want to say that we are the largest province, very disparate. Our population is spread all over the province. It is much easier, with respect, for a province like PEI to create a system that is much more contained because it is on a much smaller scale than it would be in a province with a population of 11 million.

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Mr Maves: You can throw a rock across PEI.

Interjections.

The Vice-Chair: I think we've each had a good 20 minutes. If there is agreement not to go around again, I guess it's strictly up to the committee to make that decision.

Mr Gerretsen: In all fairness, Mr Chair, since the third party and the government have had four and a half minutes more, my colleague here has just indicated that she can straighten this whole thing out in the next four and a half minutes. So may she speak for four and a half minutes too?

The Vice-Chair: I guess we'd have to give everybody four and a half minutes then.

Mr Gerretsen: I move that she be heard.

The Vice-Chair: Is it agreeable?

Interjection: Yes.

The Vice-Chair: OK.

Mrs Dombrowsky: I'm just taking the minute I missed the second time around.

My point, Mr Chair, would be to the deputy, in a response to some of the comments I have heard from a government member with regard to convenience. From my perspective, and certainly from what I'm hearing from my constituents, the government and the representatives of the people have a responsibility to be leaders and to have the people in Ontario understand that there is a price to be paid for convenience and it is at the cost of our environment. Until we do what we can as a

government to have people understand that as long as we are prepared to accept disposable containers, they will continue to find their way into landfill sites, which are increasing in size at exponential rates. I think that any initiative that could and should be considered, which would direct waste away from landfill, would be truly worthwhile and worth supporting. I think that's a minute. Thanks, Mr Chair.

The Vice-Chair: Thank you very much. It's my understanding now that the hearings have wound up. Is that correct?

Mr Erik Peters: Could I ask a question?

The Vice-Chair: Sure.

Mr Peters: I want to raise a quick question before the committee returns to an in camera session to discuss what we have heard. I must admit that I'm a little bit unclear on one issue and that is the WDO. In response to our recommendation in 1999, you indicated to us that the WDO was founded to develop options to reduce the cost of recycling programs and fund initiatives to increase waste diversion. The press release of January 13 said that the WDO is committed to develop, implement and fund municipal waste diversion programs. I want to be clear—I don't know whether the members are clear, but I'm not clear—whether the WDO is advisory to the ministry or whether it is indeed a partnership to develop, implement and fund municipal waste diversion. I don't know whether the members are clear, but I'm not clear on this point.

Mr Lal: Mr Chair, if I might reply to that: In its first year of operation, the WDO has been given a specific mandate. The WDO is a not-for-profit corporation that is established separate and apart from government. It is not an advisory committee of the ministry. The WDO has been given a specific mandate by the minister to look at the whole waste diversion issue, to suggest a course of action to be adopted, to look at the equity aspect in terms of who pays for what in comparison to what they generate, and to submit a report to the minister by September of this year. The report will give us some guidance in terms of what action the government should take in respect of it, if any action is required. I hope that helps you in terms of—

Mr Peters: It helps a little bit, but I have then a subsequent question.

Mr West: Could I answer that? The WDO, in its first year—there is also the \$14.5 million. We've given them the parameters in terms of the dollars that we would like expended on a particular program area, but they are to develop it, they are to implement it and they are to fund it within that \$14.5-million framework.

So there are two parts to the answer: There is the immediate, where they are actually developing, implementing and funding through the MOU and the requirements of the MOU, and then the longer-term strategy and funding formula that's being requested.

Mr Peters: First is an observation: Out of the \$14.5 million, it's actually a diversion of net profit of the LCBO of \$9 million to this organization, according to the press release. That's number one, as an observation.

The other question pertains to the point that it is described as a partnership of the government, municipalities and industry. What confuses me slightly, and again just to understand the situation, is that the government, although it is a partner—it has provided most of the funding, \$9 million out of \$14.5 million—has only observer status in this partnership, according to the press release of January 13. I'm just wondering about the concept of partnership here, how that is actually working.

Mr West: You're right. The LCBO contribution is \$9 million. They look at it very much as they are a business that is producing materials that are ending up in the blue box and they are paying their share, as they see it, in terms of making a commitment to the blue box. So there is \$8 million that is going directly to municipalities almost immediately and again later on in the year. They look at that as being part of their business. They are one of the industry sectors that are represented.

As to the ministry's observer status, at the end, the recommendations will obviously come to the minister and to the government for their consideration. We are playing an active role in terms of that observer status. The deputy is the observer on that board, he plays an active role on the board, but when it comes right down to it, we are the ones who will be implementing the recommendations from a policy perspective and therefore we wanted to maintain a more observer-like status in front of the board.

Mr Peters: Coming back to the first question, for the first year it's mainly advisory.

Mr West: That's correct, aside from implementing those specific programs that I mentioned earlier; it's not advisory. It has been tasked to deliver on those specific programs during the first year.

Mr Peters: I have a suggestion to make, and I can make it on or off the record.

First, is the WDO taking into consideration all the mandatory refund policies legislation that is in place in Alberta, British Columbia, New Brunswick, Newfoundland, Nova Scotia—PEI, incidentally, bans these kinds of bottles; that's where their system is coming from—

Quebec and Saskatchewan? And are they also considering the two-cent levy, the Manitoba system, in their advice?

The other one I would urge them to take a look at is the 1993 report prepared for the US Congress entitled "Bottle Bills and Curbside Recycling: Are they Compatible," which I believe came to the conclusion that there is a benefit to the municipalities. They said local governments would achieve a greater diversion of solid waste from disposal at a lower cost per tonne if both a bottle bill—that is, a refundable system—and a curbside collection program were in place. I just put it out for possible consideration.

Mr West: The WDO has expertise on it that clearly has a national, North American and even a European context associated with it. There is a lot of expertise in the WDO, in the committee structure itself. The municipal sector also will be making sure that those other systems are part of the discussion. Again, we've asked the WDO to come back with options and recommendations as to what it should look like. They will clearly be looking at what is the best system for Ontario, but in the context of what other jurisdictions are doing.

Is there a report that requires them to come back and say, "Here's what other jurisdictions are doing"? No. We've been through that through the RCO process and I think we're into the next step.

Will they be considering the Manitoba two-cent model? I think they should take a very serious look at that model and other models here in North America and in Europe as well.

Mr Peters: Thank you, Chair.

The Vice-Chair: Thank you, Auditor. I'd like to thank the ministry staff. It's my understanding that we go in camera now to make a decision on what we're going to do. Thanks to everyone who participated.

Mr Lal: Mr Chairman, I would also like to say thank you on behalf of my colleagues and myself for these proceedings.

The committee continued in closed session at 1451.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 1 March 2000

Journal des débats (Hansard)

Mercredi 1^{er} mars 2000

Standing committee on public accounts

1999 Annual Report,
Provincial Auditor:
Ministry of Health
and Long-Term Care

Comité permanent des comptes publics

Rapport annuel 1999
Vérificateur provincial :
Ministère de la Santé
et des Soins de longue durée



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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Wednesday 1 March 2000

Mercredi 1^{er} mars 2000

The committee met at 1039 in committee room 1, following a closed session.

1999 ANNUAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF HEALTH
AND LONG-TERM CARE

Consideration of chapter 4(3.09), mental health program, community-based services activity.

The Chair (Mr John Gerretsen): I'd like to call this meeting to order, which is a continuation of the hearings held by the standing committee on public accounts dealing with chapter 4 of the 1999 Annual Report of the Provincial Auditor, and specifically dealing with the mental health program, community-based services activity.

I'd like to welcome you, Assistant Deputy Minister, and your delegation. You'll have about 15 to 20 minutes to make your presentation, and afterwards we'll throw it open to the members who are here.

Mr John King: Good morning, Mr Chairman. I'm sorry we're a little late. We were waiting for someone to come and get us rather than be here, so I apologize.

The Chair: That's all right. We were almost going to hold the parliamentary assistant hostage until you got here.

Mr King: I'm not going to comment on that.

I'm John King. I'm the assistant deputy minister for health care programs at the Ministry of Health and Long-Term Care. I am joined this morning by Dennis Helm, who is the director of mental health for the health care programs, and also Gail Czukar, who is the manager for mental health legislative policy. On behalf of the ministry, we are pleased to meet with the public accounts committee today.

Let me begin by saying that the ministry is committed to ensuring all Ontarians can rely on quality health care.

A strong Ontario economy has made it possible for the provincial government to increase health care spending by \$1.5 billion since its 1995 commitment of \$17.4 billion. In fact, we expect to increase funding by another 20% over the next five years to meet future needs.

In 1998-99, the ministry's actual operating expenditures totalled \$18.9 billion. This year, the budget is expected to be \$20.9 billion. That's over one third of the entire government budget.

Of our total health budget, the ministry spends over \$2.4 billion on mental health programs and services. Programs supported by this funding include community-based services, homes for special care, provincial and specialty psych hospitals and general hospital psychiatric units.

The ministry directs \$406 million toward community-based mental health services in Ontario. This year, this \$406 million was an increase of almost 90% over 1994-95. This includes 335 community-based mental health agencies, 152 homes for special care, and 84 supportive housing providers, together with \$1.3 billion in other mental health services such as OHIP, drug programs and long-term care, \$5.4 million in program administration, and \$869 million toward hospital-based services. We arrive, then, at the total commitment of \$2.4 billion per year in mental health services.

With respect to the Provincial Auditor's report, in 1997 the Provincial Auditor assessed the ministry's performance on community-based services activity. The goal of the community-based services activity is to develop a system that will support people with mental illness living fulfilling lives in the community. The activity funds community mental health programs, including community-based mental health services, children's mental health programs, residential homes for special care, and the community psychiatric payment program.

I am pleased to say that the ministry has made substantial progress in the areas outlined by the Provincial Auditor.

Under mental health reform, the auditor recommended that the ministry should periodically evaluate its progress in meeting the mental health reform targets. Our response is that the ministry has begun benchmarking progress and outcome through the multi-year community mental health evaluation initiative. This initiative involves outcome evaluation projects, focusing on case management, crisis response and consumer-survivor and family initiatives. The project team includes the Ontario Mental Health Foundation, the Centre for Addiction and Mental Health, and the Canadian Mental Health Association, Ontario division. The initiative also allows us to closely monitor bed ratio shifts within the mental health system.

The research projects funded through the multi-year community mental health evaluation initiative are in the early stages of implementation. These projects will provide the ministry with vital information regarding cost-

benefits and outcomes related to core community mental health functions. Once the data become available, the ministry will be in a position to revisit and refine the mental health reform targets.

As well, the auditor recommended that we should develop and compare the costs and outcomes of community-based care with those for institutional care for various levels of service or care. The mental health minimum data set is intended to enable ministry staff to analyze and compare the cost of community care and institutional care. The following mental health minimum data set activities are underway.

Since 1997-98, community mental health year-end reporting includes newly developed reinvestment fund indicators.

A psychosocial rehabilitation tool kit has been developed and is being implemented and will provide rehabilitation outcomes, such as change in hospitalization rates and change in housing, employment, education and financial circumstances. The PSR tool kit will collect and report most of the minimum data set client information.

A minimum data set client data snapshot survey has been completed. For those community agencies and hospitals that participate in the snapshot, we are now able to answer questions regarding service availability, clients and utilization patterns.

The results of the minimum data set client data snapshot and the technology survey have been distributed to all mental health provider organizations. Work is underway to develop the minimum data set across the province.

The ministry's IT priority review board deferred the development and implementation of the mental health minimum data set project due to other priorities in the Y2K compliance. We are now reviewing IT priority projects with the completion of the Y2K project.

With respect to operating plans, the auditor recommended that the ministry ensure that all information submitted is in accordance with ministry requirements. The ministry has streamlined and simplified reporting requirements by refining the operating plan guidelines and process requirements it distributes to mental health provider organizations. We have utilized the streamlined operating plan package containing all information required by the ministry since 1997-98.

As well, the auditor recommended that the ministry require operating plans to be submitted, reviewed and approved on a more timely basis. The time frame for the operating plan process depends on the government's estimates-budget process. This has had an impact on the timing of the issuance of the operating plan guidelines and process requirements. In spite of this organizational challenge, the Provincial Auditor has acknowledged our progress. We have consistently sent out packages before the commencement of the fiscal year in each of the past three years. The health care programs division, through the regional office structure, will coordinate all hospital and community operating plan processes as much as possible.

With respect to performance monitoring, the Provincial Auditor recommended that the ministry define acceptable levels of care and establish performance benchmarks and outcome measures and monitor programs against them. We have defined levels of care and systems outcomes in the ministry's recent document entitled *Making It Happen: Implementation Plan for the Reformed Mental Health System and Operational Framework for the Delivery of Mental Health Services Reports*. Released in August of last year, *Making It Happen* enables regional and local planning processes to align and rationalize community mental health services.

We are ensuring we implement the objectives of *Making It Happen* in a timely manner by establishing mental health implementation task forces. These task forces will operate in all health regions across the province. The northeastern task force has already been established, and additional task forces will be announced shortly. The task forces will provide advice to the ministry on the allocation and reallocation of community investments to support policy directions. We will base performance benchmarks, targets and outcomes on the multi-year baseline data captured by the mental health minimum data set that I mentioned earlier, as well as on data captured by the district health councils and the mental health implementation task forces.

1050

With respect to management information systems, the Provincial Auditor recommended the ministry should accelerate the development and implementation of an appropriate management information system. The ministry, in response, completed a technology survey in 1998 which has enabled the ministry to assess and evaluate direct electronic transfer alternatives. Community mental health programs' budget systems, financial logs and sessional fees systems have all been implemented. These are being further refined following the completion of the year 2000 projects.

With respect to the community psychiatric payment program, allocation of funds, the auditor recommended that the ministry ensure that sessional funding is allocated on a reasonable and equitable basis rather than on a historical basis. Through the implementation of the commission recommendations and directives, the ministry now ensures that new or reconfigured priority services are receiving appropriate sessional fee allocations. This allows us to make sure that medical and specialist support is available.

With respect to monitoring, the auditor further recommended the implementation of a procedure such that timely information is received on the use of sessional funding, and sessional funding is spent in accordance with ministry guidelines. The ministry has implemented a computerized community sessional fee logging system that enables timely follow-up. Also, the reporting compliance is improving through ongoing verbal and written reminders to government agencies. By the 1997-98 year-end, sessional fee reports had a compliance rate of almost 100%.

With respect to homes for special care quality of care, the auditor recommended that the ministry mandate compliance with the minimum standards of care as a condition of licence renewal. The ministry is developing a comprehensive supportive housing policy for people with serious mental illness that will set out standards and monitoring mechanisms for all supportive housing, including the homes-for-special-care program. These standards and monitoring mechanisms will help to ensure a consistent approach to the programs being funded by the ministry. The policy might have legislative implications for the Homes for Special Care Act.

With respect to processing of payment and recoveries, the Provincial Auditor recommended that we improve our procedures to help ensure we recover the payments made on behalf of the residents of homes for special care that we are entitled to. The ministry has implemented a computerized homes-for-special-care information system. The modifications to the system include the capability to produce aging reports. Therefore, we would be able to facilitate a more efficient recovery process.

Under respite care grants, the auditor requested that the ministry should assess whether it should continue to provide respite care grants for staff relief. On August 12, 1998, the government approved a rate change within the Homes for Special Care Act to increase the per diem payment level from \$27.63 to \$34.50, which is consistent with other residential housing programs providing similar types of services. Respite care grants will cease on April 1, 2000. This will not affect client care adversely because of the increased payment rate which came into effect on September 1, 1998. The increase will ensure that appropriate levels of resident care and services continue to be provided by homes for special care while a comprehensive housing policy for people with serious mental illness is being developed.

In conclusion, I believe the ministry has demonstrated significant movement forward on the recommendations of the Provincial Auditor. The ministry has shown a commitment to Ontario to create an integrated and comprehensive mental health system that emphasizes prevention and access to services and improves public safety, and I believe we are delivering on that commitment. Beyond even the scope of the auditor's report, since June 1998 we have announced significant investment to mental health community-based services.

In December 1999, we announced \$19.1 million to expand community-based mental health services to a total of 51 assertive community treatment teams and to enhance court diversion, psychogeriatric outreach, case management and crisis support services.

In March 1999, this government announced its provincial housing strategy, which included \$45 million in each of the next three years to provide housing and housing supports for people with serious mental illness. Of this \$45 million, \$20 million was identified for initial release to provide permanent housing and supports to approximately 1,000 people with serious mental illness who are intensive users of emergency hostels. This strategy is in

addition to the \$2.5-million homelessness initiative in 1997-98 that enhanced services to Ottawa, Hamilton and Toronto.

In 1998, we announced \$60 million in funding to support enhancements to community-based mental health services, additional forensic beds and court diversion, and long-term-care services for the mentally ill.

Finally, I'm proud to report that all of the service enhancements resulting from the \$23.5-million community investment fund in 1997-98 are operational. The community investment fund increased community services and supports for people with severe mental illness. The service enhancements included case management, crisis response, family initiatives and consumer-survivor initiatives. These initiatives will ensure that all Ontarians have timely access to services they need.

We are strengthening the continuum of care for people in need and we will continue to do what is necessary to improve and enhance access to these important services.

That is all I have to say, Mr Chairman, for the formal portion of this program and we're happy to answer any questions that the committee may have, with the support of my colleagues.

The Chair: Thank you very much for your presentation. The third party will not be represented here today as Ms Martel apparently is ill. What I propose we do is limit each question-and-answer period to 15 minutes so that there will be two go-arounds before lunch today. We start with the government side.

Mrs Julia Munro (York North): I appreciate the opportunity that you have provided us in being here today.

There are a number of issues obviously in the course of the morning that we'll have an opportunity to speak to and get some response from you. One of the overall issues that I think would be appropriate to start off with this morning is the whole issue of integration and the fact that while there are so many very important pieces in health care in general in the province, and it's certainly something our government has taken some leadership on, the question of integration is one that people find particularly important, being able to access service. I wondered if you could give us an update on the way that integration between mental health services and health care in general is taking place, particularly at the regional level, because obviously that's where the individual Ontarian is looking for some kind of access point.

Mr King: As I mentioned, the Ministry of Health and Long-Term Care budget is almost \$21 billion, and of that portion, the health care programs division, which I am responsible for, is a total of about \$14 billion. This includes all of the health care programs other than physician services, labs and diagnostic imaging.

1100

Recently, the ministry identified the need to look at regionalization of their health care programs division. We are in the process now of setting up seven regional offices. These regional offices will be scattered throughout the province and they will include hospitals, mental health and long-term care. Although we have not moved

to a regional structure in the other parts of the system, it is very important that the ministry move in this direction and provide services locally, have local access and a single point of entry for our stakeholders.

If you can picture this, you can see that we would have the hospital personnel, program personnel, long-term-care and mental health personnel all working side by side. This is in our hope to provide an integrated service delivery mechanism for clients, patients and residents in Ontario. By this, I think it really strengthens the continuity of care that we're trying to promote. So we're integrating at the regional level. That is very important to the ministry, but it also will promote for our stakeholders who enter the system that concept of integration in their communities.

I might emphasize that now we have ministry people outside of Toronto at the local level who will also monitor our activities out there and the accountability that everyone is expecting for the dollars that are spent on health care.

I hope that shares our integration strategy with the ministry. There are other things that we can elaborate on as far as the integration with mental health services is concerned, which I'm sure will come up later.

Ms Marilyn Mushinski (Scarborough Centre): When we're talking about moving from institutionalized care to a more community-based care, I understand that you have set up some ACT teams, or assertive community treatment teams, and I'm very interested in how you arrived at this particular model. I'm going to probably be asking you a supplementary question on the regionalization aspects of that, because I have some particular concerns as it pertains to my own riding of Scarborough Centre, and how it responds also to Mr Newman's report, 2000 and Beyond. Could you tell us a little bit about the program and then I'll ask a few more questions.

Mr King: I did want to comment on the move from the institution to the community. A number of years ago the balance between the institutional and community care was about 75% institutional, 25% community. Our goal, of course, is to bring everything closer to home. That's not only in mental health but other services in health care. We are now at an average of about 60% institutional, 40% community, so it's very important that we build up the community supports as we are deinstitutionalizing clients and patients.

We were very fortunate to do some benchmarking on ACT teams in the States, and we have created a model here in Ontario. I'm going to have Dennis Helm elaborate a little more on the ACT teams, because I believe very strongly that this is a real success story for Ontario, to develop this team approach that really delivers that support in the community that the patient would have otherwise received in an institution. We are now able to deliver that in a community setting.

Mr Dennis Helm: When we started the reform activity in looking at our goals of restructuring the system from an institution-based to a community-based system

and looking at the restructuring of the psychiatric hospitals, we wanted to look at a best-practice model that really linked directly with our goals in that area. As John mentioned, through a review of activities in other jurisdictions, we developed a commitment to the assertive community treatment concept, which is basically involving many disciplines in terms of providing supports and services to clients. They are basically a self-contained clinical team that provides intensive treatment and rehab to about 100 clients per team. So it's very intensive. These supports are provided on a 24-hour-a-day basis, 365 days a year.

When we established the best practice of assertive community treatment teams, we wanted them to have a very direct relationship to the restructuring in our psychiatric hospitals. As you know, the commitment had been made to ensure that community supports are in place before we consider any bed downsizing within our psych hospitals, and the treatment teams were identified as a key program to make that link. So when we established these treatment teams, and we're now up to 51 full or partial teams—they're in various stages of implementation—for the majority of these 51 teams we have developed a sort of contract with the providers that they must have a direct link with the psychiatric hospitals so that if there are patients in the hospitals who are ready for discharge into the community, there is a direct link to these treatment teams. We felt that this intensive interaction would be a perfect discharge mechanism from the psychiatric hospitals into the community with these kinds of supports, which in turn link with other service providers, including housing.

So as a best practice, we are in various stages of implementing these and we have established an evaluation mechanism whereby this best practice, or this instrument, will be evaluated along with other reform priority investment tools. They will be evaluated and reported back to the ministry in terms of whether any adjustments should be made and to look at the cost-benefit analysis and especially the quality-of-life point of view.

Ms Mushinski: I wonder if you can just tell me, as you implement this particular aspect and other mental health reforms, how you can ensure that the specific needs of various communities within Ontario are being met. For example, the needs of a very diverse community in Scarborough Centre probably are quite different from those in a far-reaching and remote community in the north. I'm wondering how the mental health reforms address those specific divergent needs of the province.

Mr Helm: When we identified the community treatment teams, as an example, as a priority 4 investment, ministry staff led a community-based activity working with service providers, and I'll use Toronto as an example. We worked with existing community service providers here. We looked at the work that had been done by the district health councils in terms of identifying the service priorities.

We were keen on the assertive community treatment team concept but we wanted to make sure that any in-

vestments really reflected the regional needs that have been identified. So, for example, working with the Toronto service group and the district health council, we looked at the priority target populations that they have identified; it could be a specific ethno-racial community, a forensic group. Developmentally disabled groups specifically had been identified, with a developmental problem plus a mental health problem. So through our implementation process we have the flexibility to work toward different target populations, and we did address the needs of specific communities; for example, in Toronto, having a treatment team established that specializes in services for the developmentally handicapped population with a mental health issue as well.

As another example, and even elsewhere in the province, treatment teams and all of our community investments are expected to have a forensic component as opposed to a parallel forensic system in the community. So treatment teams are expected to have a forensic capability. Within Toronto, because of the population and the demand, we did provide some specific funding to one team to truly develop a forensic capability so they in turn could work with other treatment teams in the city to help spread that expertise around forensic clients and the services they require. So we do try to address the specific population needs as much as we can.

1110

Ms Mushinski: I have one question about housing. Can you tell me what the ministry is doing to address this? I'm particularly interested in this. I was on a Canadian Mental Health Association task force 25 years ago looking at supportive housing models in the community. I just have a serious concern that we may be abandoning some of those earlier policies for supportive housing. Could you tell me what the status of the ministry's supportive housing strategy is for the mentally ill, please?

Mr King: I think you're touching on two areas. One is the operations, with things such as the homelessness strategy, and also we have some policy and strategy development in housing.

I'm going to ask Dennis to refer to the operations. I'm sure Gail will have some comments on the housing strategy that's being developed now.

Mr Helm: The housing service really has been identified for quite a long time within the mental health reform strategy, that adequate housing is critical for our target population in terms of moving out of an institution into the community, and with the homelessness issues that have been identified across the province.

In 1997-98 was really the beginning of our homeless strategy, and that was when \$2.5 million was identified for reinvestment in three areas of the province: Ottawa, Hamilton and Toronto. It was identified specifically that we needed support services to address the mental health issues of people living in hostels and shelters. That was the beginning of our initiative into this area, really a result as well out of the homelessness studies that were undertaken in various cities in Ontario, including To-

ronto, and in the provincial review of homelessness and housing. So we started that process.

Then in 1999 there was a significant step, in our view, for our target population, when it was announced that there would be a three-year, \$45-million commitment for each of those three years to look at again housing and homelessness for the mentally ill. In phase 1, which took place in 1999, a total of just over \$20 million was allocated—about \$14 million of that was provincially allocated—again first targeting the cities that were identified with the lowest vacancy rates and perhaps the highest homeless population, and those were Ottawa, Hamilton and Toronto.

We have been working very closely with the communities in terms of moving this along and working towards the establishment of 1,000 units. That could be a combination of rent supplements, which are specifically geared to an individual in a rental situation, plus then capital, perhaps acquisition of units, and renovations.

We are proceeding to implement those and we are very pleased with the achievement we are making, considering that in previous years very little had been done in terms of our target population for housing. So the achievement of having 1,000 units that we're working towards was very welcome.

The Chair: Is that 1,000 in the province?

Mr Helm: A thousand in these three cities right now. That's phase 1. We are implementing that now, and progress has been made. There will be a phase 2 and a phase 3, which we will combine. Just to remind you of what I said, there was a three-year commitment, \$45 million per year. I just talked about the first-year first phase.

For phases 2 and 3 we are looking at very shortly going out for a request of interest from parties across the province. We are allocating the remainder. At the end of the day the full \$45 million will be annualized in community supports.

We are allocating the remainder of the funding to all regions of the province, based on population, and with a specific addition, in terms of a funding ratio, for those areas where we expect there will be some in-patient restructuring in the psychiatric hospitals, to make sure that we are in every community in the province, but to a greater extent in those communities that will be experiencing a restructuring of in-patient services. Our commitment is to have the community supports in place before the downsizing takes place. So we are in the midst now of this phase 2, where we will be going out and requesting expressions of interest so we can be working with the communities and identifying where the remainder of that funding will go.

Ms Gail Czukar: As Dennis mentioned, there has been activity in this area for some time. The ministry has been working with two other ministries to develop a comprehensive housing strategy and housing program; so municipal affairs and housing and MCSS have been involved in this as well. The ministry developed a committee to advise it on the housing policy. That committee included members of the service providing community,

consumers and consumer groups as well as homes for special care providers to give them advice about what the housing policy should encompass. That policy is under development, is being approved as we speak, and should be ready for release soon, but the intention is to have a consolidated provincial program that will look at a number of these different programs and put them together—the domiciliary hostel program, homes for special care, the supportive housing and so on—so that there will be a consistent approach, with consistent standards, in supportive housing. So that work is underway and should be released soon.

The Chair: We went over the time a little bit. We'll make it up in the next round. I'll turn to the official opposition.

Mrs Lyn McLeod (Thunder Bay-Atikokan): As you can see by the number of us who are here, we have a number of questions and concerns in the area of mental health and we too appreciate the opportunity to talk with you about mental health. I think too often it doesn't get the focus that it needs, so this is really a welcome opportunity.

We'll start by following up on Marilyn Mushinski's questions about the whole area of supportive housing. I'm glad to hear the details of the three-phase program to provide supportive housing in communities.

My concern is the adequacy of the support that is provided in non-hospital settings. I'd like to preface my questions by asking whether or not you have any statistics yet on the number of people who are currently in psychogeriatric beds in hospitals that are scheduled to close and how many psychogeriatric beds will remain for that population of people. In other words, we know the proposed loss of overall beds, but I wonder if you have something on the loss of psychogeriatric beds specifically.

Mr King: Mr Chairman, is it okay if we continue to direct questions over to the experts here, perhaps, when we get into some of the details?

The Chair: We want to hear from the people who have got the answers.

Mr King: That's why I brought this entourage today, so we'd make that we have the right answers for people. I apologize that I don't have all the answers.

Mr Helm: In terms of the psychiatric numbers—I'll talk specifically about the provincial psychiatric hospitals—I don't have statistics with me, but in terms of the psychiatric hospital system across the province, as you know, it is going through a divestment transfer process. A key element of that is to do a patient survey of every client in the hospital, and psychogeriatric clients are included in that. We are finding that there are a number of psychogeriatric clients in the provincial psychiatric hospital system who could be perhaps better housed in the long-term care system or in the community with supports. That information is being used to formulate a discharge plan that would then be looked at and coordinated with our community activities, such as a community treatment team, that might be appropriate for

psychogeriatric clients perhaps who are able to live in the community if they have the supports in place. A key requirement is that those persons must have the supports assigned to them before they go out into their own apartment or shared accommodation, either through a treatment team or through an existing case management program, for example, that we have in the community.

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That is being done in all psychiatric hospitals across the province. We have this baseline data that would help us, with the funding we have now and as new funding is announced through mental health task forces which we might get into. That would be information they would use as well to determine where the resources should be allocated, what kind of service providers should be funded for different types of services, which could vary from region to region.

Mr King: I was just going to add to that, if I might. This is why we feel it's so important that the ministry regional offices are set up so that the link with mental health and long-term care, in this example, is a strong link so that we can ensure there's a smooth transition with these patients.

Mrs McLeod: Is it possible to get statistics on the change specifically in psychogeriatric beds? Is that information you'd be able to provide?

Mr Helm: In terms of what is planned?

Mrs McLeod: What's proposed, yes.

Mr Helm: We could probably gather very high level data, not patient-specific obviously, but just the general findings of what they would need, how many might be appropriate for a long-term-care facility or, if they go to the community, the types of supports. We could put together that broad, high-level information if that would be helpful.

Mrs McLeod: It would be very helpful. I'll be very upfront about my concern and the reason I'm focusing at this point in our discussion specifically on psychogeriatrics. I notice that there's an adjective that has come into this—Mr King used it again this morning—and that's that as you look toward community supports in the de-institutionalization process, you're looking at those who have a serious or severe mental illness.

One of my concerns is, all right, where do the seniors with Alzheimer's or with dementia fit into that picture? Can I assume that a senior who has Alzheimer's or a dementia of some sort at a fairly advanced stage is considered to be somebody with a serious or severe mental illness? My concern in asking about the psychogeriatric beds, because I understand that there's a significant reduction in the proposed psychogeriatric beds in a hospital setting, is, where are these people going to go?

If we look at support in a community setting and a supportive housing setting, an Alzheimer's patient typically needs a secure setting. They typically need 24-hour supervision. I'm aware that there are Alzheimer's patients now who are in wings of long-term-care facilities. You've mentioned that's one of the alternative placements for people who might now be in a psycho-

geriatric bed in a hospital setting. There's obviously a huge difference in funding that's available to that individual for support if they are in a psychiatric hospital or if they were to go into a chronic-care bed, which I think is the setting for most of the psychogeriatric beds with the deinstitutionalization, compared to them being in a long-term-care facility at \$70 a day with a copayment or being in supportive housing, a special care home, where I think you just said the rate was \$34 a day. Of course, the other alternative support is a home situation where it becomes tremendously costly to provide one-on-one 24-hour supervision.

I'm really concerned about where this population, people who are currently in psychogeriatric beds, is going to go, and following that, with an aging population, where the expanding population of people with Alzheimer's is going to go.

Mr King: This is also a good example of where this has gone beyond the mental health program. We just recently announced an Alzheimer's strategy for the province. We have initiatives underway right now for Alzheimer's patients. They are gathering that information on the local level. Again, coming back to your point, we are also very concerned about how the Alzheimer's patients are being cared for and treated, not only in institutions but also in the community setting, to have supports in place. There's a whole other strategy in place for the Alzheimer's patient that has been recently announced.

Mr Helm: I think it's important to stress and we want to be clear that within our mental health reform strategy we are maintaining a range or a continuum of services. There will be psychogeriatric beds in our system even post-transfer to a public hospital. We will have community supports for those, where appropriate, who can live in the community, and if people are more appropriately relocated to a long-term-care facility. The mental health side of the ministry and long-term care have been working together for the last couple of years on how to ensure the best quality of service for a mentally ill client in a long-term-care facility.

You may be aware of one of the previous announcements. Out of the \$60-million announcement in June 1998 was a training initiative for mental health workers to be assigned to long-term-care facilities to provide not only behavioural support but also programming support to try to get at some of the issues you were referring to.

Mrs McLeod: I appreciate the broad view. I'm going to leave my questions at this point because I want to give my colleagues an opportunity.

My concern is I know there are psychogeriatric patients now in—let me rephrase it, because I think language may be a part of our problem here. People with advanced Alzheimer's and dementia are in long-term-care facilities now. I don't believe that \$70 a day is enough to provide support at the level which that patient needs. What is the ministry doing to really identify the care needs of those individuals and ensure that the dollars match the care needs? I'm not seeing the specifics to give me comfort that as more and more people develop severe

Alzheimer's or are discharged from hospitals, we're going to have the dollars in place to meet their level of care needs.

Mr King: Under another initiative that's happening in the long-term-care side, they are doing a levels-of-care study right now, addressing some of these issues, and also looking at the funding system in long-term care to address not only complex continuing care but then the chronic care, long-term-care funding system for this type of patient. So it is being addressed. We were focusing a little more on mental health here, but there are other branches of the ministry addressing some of those dollars.

That \$70 a day is not the long-term-care rate; it's not the chronic care rate right now. I'm not sure where the number you're quoting is coming from, but the long-term-care patient rate is around \$100 and the chronic care rate is closer to \$300 a day. Many of these patients are presently housed in that setting. We are looking at that funding system right now for the future.

Mrs McLeod: I cross my fingers and pass it on to my colleagues.

Mr Steve Peters (Elgin-Middlesex-London): I have two questions. The first is in the area of the supportive housing policy that's being developed. As we're seeing this move from institutions to communities and the policies being developed—and you said that consultations are taking place—I would like to know who all is being consulted. In particular, I'd like to know whether municipalities are being consulted on this move towards the development of supportive housing. The municipal councils are going to be hearing from the neighbourhoods that may be proposed, and I would like the assurances to know that as these policies are being developed, everybody who is potentially going to be impacted or affected by the move from the deinstitutionalization is going to know what is going on and what is being proposed.

Mr King: First of all, with the project that has just recently been announced with the 1,000 units that were referred to in those three communities, it has been an area of difficulty going into local communities and their saying, "Not in my backyard," that type of experience. That was our first phase. We've learned a lot from this process that will certainly be incorporated into the phase 2 and phase 3 that we're dealing with. Dennis will probably want to comment specifically on your issue with respect to notification and education in this area.

Mr Helm: From an operational point of view I can address a few things and then maybe Gail will in terms of the broader consultation. In phase 1 of the housing that I mentioned, for example, and our planned phase 2, once it is started we spend a lot of time in the community with service providers, who are already in housing perhaps, but really anyone within the health-MCSS system will be brought to the table and be made aware of what opportunities we have. Through that consultation process we will be talking with providers, the city, consumer groups and family groups specifically for that community about the dollars we have available, how we might best allocate

them to meet the reform agenda, the bed-pressure issues and the support services. So on the implementation side we try to be as inclusive as possible with all members of the community before we make a recommendation within the ministry as to where the dollars will be going, and for what services.

On the policy side there was another opportunity for input.

Ms Czukar: As I said, the committee that was struck to give the ministry advice about the development of the housing policy included people who are out there and who have had a lot of experience in trying to set up programs and have run into exactly the kinds of issues you are talking about, so that experience was brought to bear. But I think what you're talking about is really an implementation issue and will come up when the policy is being implemented.

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The Ministry of Municipal Affairs and Housing was involved in that and will be giving us further advice on how to roll that out in a way that is going to be compatible with the municipalities' agendas as well.

Mr Peters: The Health Services Restructuring Commission, when it issued its report for the London and St Thomas psychiatric hospitals, talked about the construction of a new 65-bed forensics unit at the St Thomas site. At some point—and hopefully I can get this answered—that directive from the restructuring commission changed from 65 beds, and it is my understanding it may be down to about 49 beds. From what I understand—and I'd like some clarification—that may be as a result of some of the new beds that are going to be created in the Hamilton area, but there are some questions that I've had from within my own constituency. We're at 65 beds; we're talking 49 beds now. At what level, at what point, is it going to be said, "We can't justify constructing a new forensics facility," that 49 beds isn't the right number? I'd just like to know where things are going with forensics.

I'm concerned with forensics, having lived in a community that's had a forensics unit for a number of years. The auditor talked a bit about a needs analysis of the forensics beds. I'd just like assurances that we're not going to be seeing any changes in the standards, what the level of a forensics patient is now—it may change. For people who currently may be in a forensics bed, something may change so that it can be said that they may be suitable to be out in the community. It's a concern. If I can't get it today, can I get some further information about where things are going as far as forensics is concerned?

Mr King: We certainly do have a direction on forensics. You started out with the analysis of the commission. The commission really did provide advice on specialty beds, tertiary beds, long-term-care beds, but not with respect to forensic. They left that with the ministry to develop a strategy. We have developed a strategy for forensic beds, but due to a number of changes that are occurring with the court system etc, we're also re-looking

at that number right now. We're reviewing beds for forensics in the province.

Specifically for the London-St Thomas area, the divestment of the PPH is going to St Joe's in London in the first tier and then it will move throughout the community of southwestern Ontario after that. We can be more specific if you like on some of the forensics there. We have one of our consultants here with us today if you would like more information on that.

Mr Peters: I can leave you my card.

Mr King: OK, that's great. This is something that is dear to Dennis's heart, as far as forensic beds. I think it's an area that we all want to make sure we monitor very carefully, the numbers in the province and where they are located. So Dennis has some comments with respect to that.

Mr Helm: The forensic strategy for health has been developed through a committee that I chaired with other ministries, with MCSS, with the Attorney General and the Solicitor General. Through that interministerial committee we developed a provincial strategy for forensic across all of those ministries, and then within the Ministry of Health we also produced a strategy, and specifically a bed strategy, because as John King mentioned, the commission left the siting and sizing of forensic beds up to the ministry. We did our review, we looked at what best practices existed across the province and came up with a general ratio for secure beds of 3.8 beds per 100,000 population. That has been, and is, leading our plan in terms of bed numbers and location.

Through the reform agenda and using that bed ratio, we are looking at establishing 144 new forensic secure beds in various locations across the province. We feel that once they're up and running with all the other community supports in place, that should go a long way to helping with the pressure we are currently facing. As time goes on, as with any reform, you always re-evaluate and reconsider the direction, and that's the review that John mentioned. We are proceeding on this basis for bed implementation. What we will be looking at is, is that ratio appropriate or is it not?

In terms of your specific question about reinvestments or about recent announcements, I know there had been some discussion on London-St Thomas bed forensics and Hamilton. When the Hamilton announcement was made for 52 medium-secure beds, that did not take beds away from anyone. I know, and maybe that's what you're getting at, that in London-St Thomas there was a plan to maintain the beds they have there and at the same time, over a period of time, enhance services in London-St Thomas. So when we announced 52 beds for Hamilton, that was to set up a secure system they never had before for the Hamilton catchment area. We announced Toronto and Whitby as well. The beds that will be coming for London—I think it was nine in addition to what you have now—will be the regional secure system there.

Our goal is to have a regional secure system in every region of the province, maintain a maximum-secure

setting in Penetang—the expertise is there; the numbers warrant that.

We're looking at non-bedded issues as well, because forensic services aren't only related to beds. Through community treatment teams—as I mentioned earlier, we've established a forensic specialty—we've supported the forensic court here in Toronto, which has been very important in terms of moving things along, and we have established a number of forensic court workers across the province as well. So there is that bed component that we're looking at, and announcing beds, plus the community side.

Mr King: Mr Peters, we also identified a number of other questions that you had in your remarks. Gail has a comment she'd like to make.

Ms Czukar: You mentioned that you didn't want to see patients being put out in the community perhaps because of a lack of beds or not enough beds in the system. I just wanted to make it clear that that's not really the prerogative of the ministry. Decisions about whether people are to be kept in custody in a hospital or given custodial discharges lie with the Ontario Review Board. That's the body that makes decisions about what kinds of conditions to put on people if they are going to go to the community. Currently, of course, the hospitals that are designated under the Criminal Code—because this is a Criminal Code matter—are the psychiatric hospitals that Dennis has been talking about, the Centre for Addiction and Mental Health and the Royal Ottawa hospital. Under the Criminal Code, patients can only be attached to those hospitals, as it were, by the Ontario Review Board, and those decisions are made by a panel of five experts.

I just wanted to address that point, that it's not up to the hospital to say, "We're out of beds today so this one is going to be out in the community."

The Chair: We have four minutes left for each caucus at this stage.

Ms Mushinski: I still have a couple of questions and I'd like to follow up on that just a little, if I may. I think this whole area of mental health, mental illness, protection of individuals is very complex and certainly leads to a lot of confusion in the general public's mind about the rights of individuals over the rights of the community. Can you tell me what role the ministry has in terms of public education to make sure that government policy is disseminated into the community while at the same time protecting the rights of individuals?

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Ms Czukar: In 1998 the minister announced the mental health reform implementation as well as a mental health law education project and review of legislation. The mental health law education project has been ongoing since that time. It's headed by Michael Bay, who is the chair of the Consent and Capacity Board for the province. He knows this area of the law intimately, and he has done many, many sessions around the province for mental health service providers, police officers, emergency workers and the general public. Families and consumers have attended these sessions. I'm told that they're

extremely well attended and very well liked. He's done a number of those and has provided information on people's rights but also on the powers of hospitals and police officers and physicians to ensure that people who are not able to look after themselves because of a mental disorder or who may be a danger to themselves or others are appropriately brought to hospital for assessment and commitment.

He has recently been focusing on issues with respect to cold emergencies or emergency treatment of various sorts. He distributed a poster on mental health emergencies to all the emergency rooms in the province shortly before Christmas to ensure that people who work in hospital emergency rooms know when they have the authority to hold people for assessment and for commitment.

Those are some of the steps the ministry has been taking to inform people.

Cold emergencies: I guess various municipalities have their own systems in place, but certainly here in Toronto the municipal officials have their criteria when they decide that a cold emergency is to be declared, when the temperature's going to drop to a certain point, and then certain special measures can be taken. These powers, however, in the Mental Health Act are not related to cold emergencies; those powers are always there. It's simply a question of a more objective standard about when someone might be showing a lack of capacity to care for themselves due to a mental disorder if they're choosing to sleep on the street at minus 40 degrees or something.

Ms Mushinski: My other question has to do with accountability. As we're moving services from institutionalized care to more community-based care, how do we monitor accountability of the service providers or the community deliverers of mental health service?

Mr King: In general, I think "accountability" is the strongest word that we would like to use in the ministry right now—accountability for all the dollars that are moving out into the province. We have established a number of accountability frameworks for reporting from the field—indicators, outcomes and how the money is being spent. I'll have Dennis directly respond to your question on what we're doing as far as the move from institutional to community-based is concerned, but I did want to leave with the committee that accountability is one of the biggest areas where we're moving in the ministry, to ensure that all areas where we're delivering health care are where we would like to ensure that those dollars are being spent in the right place at the right time, and also that the outcomes are effective.

Mr Helm: Many of our recent investment initiatives have been very focused on a certain model—for example, community treatment teams, intensive case management—building upon our existing accountability frameworks, which include the annual operating plan process where they identify what they have done the year before and what they plan to do in the coming year. As John said in his opening remarks, we're co-ordinating that

with the submissions out to the public hospitals and specialty hospitals so that everything comes together.

In addition to that normal reporting, there is a requirement up front that they report specifically, at least for the initial period of time, on the achievements made specific to the investment that they have just received, whether it's a community treatment team or some other function. We're very clear: With these investments and best practices, we develop standards within the ministry and share them with all the service providers so that when we enter into a contractual arrangement, they know exactly what is expected of them. They monitor and report specifically on the community investment fund initiative or community treatment team initiative to us as part of our ongoing activity in terms of operating plans and reviews.

In addition to that, we have been, as we mentioned, identifying some very specific legal agreements. Again, through the community treatment teams there's a legal agreement that we will have with the provider in terms of what is required from the psychiatrist who will be on staff on the treatment team: the roles, responsibilities, and the reporting back. We want them to be very focused on their 100 clients, we want a very strong link between that model and the restructuring in our inpatient psychiatric hospitals, so we want to make sure there is a clear link between those two, meaning hopefully some clients from our psych hospitals who are able to be discharged go into a treatment team and are linked with housing in that way. So we spell all this out in terms of expectations and it's a formal agreement and part of the operating plan process that we have put in place.

Mr King: I might also add, if I could, with the accountability of moving from the provincial psych hospitals to the divestments, that we will also have an accountability framework in place to ensure that movement is consistent with provincial standards. So there will be service agreements at the new sites that will house these beds, as well as the tier 3 when they actually move out to other sites throughout the province, to ensure that we maintain the same standards that are presently there in the provincial system.

The Chair: That's the time period. To the opposition, 10 minutes.

Mrs Claudette Boyer (Ottawa-Vanier): I'm mostly interested in the homes for special care. You mentioned that in your phases 2 and 3 you would support the different outgoing programs. I do have in my riding a hostel program, which is in a house of special care. You've mentioned—I think we were talking about care grants—that first it was \$27.

Mr King: Yes. It was increased.

Mrs Boyer: So when was it \$27 a day, as a per diem?

Mr Helm: It was increased in September 1998.

Mrs Boyer: It was increased to \$34?

Mr King: Correct.

Mrs Boyer: Now, all your outgoing consultation and everything would be a different program. Is there a possibility to increase this allotment?

Mr Helm: It's difficult to know what the outcome will be, but clearly through the consultation process of the housing strategy, I would think, and Gail could comment on this, that items would be put forward for discussion in terms of structure, relationship, and I would assume per diem rates will be raised in that forum.

Ms Czukar: I can't say whether they will be raised or not. We have to get advice on that. But as I said, the idea is to make the different programs consistent and to ensure that service providers are getting consistent funding for meeting the same kinds of needs. That's what has to be evaluated in the final analysis in deciding what the right level of funding is for all of the programs.

Mr King: Our understanding is that the increase in the per diem has assisted greatly. We have not had a great deal of feedback, a great number of individuals coming back and saying that's inadequate at this time.

Mrs Boyer: Why I'm asking this question is because I know that for this resident I'm talking about, absolutely it's not enough. They've met with the Ministry of Community and Social Services to see what the regional municipality could do about it, and I was just wondering if you had heard about it. Why I'm very concerned about this is that I was told that if they don't get more per diem, these people—and there are about 175 in this house—will be put on the street because the money is not there to take care of it and they will become homeless.

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Mr King: I think what's happening here is we're probably talking about—

Mrs Boyer: The hostel program.

Mr King: —the hostel program, which is under the Ministry of Community and Social Services. It's in municipalities, so it's really outside of our jurisdiction on this. I'm not sure I really want to comment on those areas.

Ms Czukar: It's still the same issue, because the effort of the domicile housing strategy is to make the hostel program, supportive housing and homes for special care consistent and to make the funding consistent for meeting the same levels of standard.

Mrs Boyer: So they would still get the \$34 and they should have another financial implement by another ministry? Is that what you're trying to say?

Ms Czukar: No, it'll be made consistent across all of the ministries. So if there's going to be an increase and the people in that kind of housing have the same kinds of needs and the same needs for programming and so on as people in homes for special care and those rates are raised, then the others should be raised too. That's the effort of the housing strategy.

Mrs Boyer: When I asked different ministries I was told they couldn't do it for just one; they had to do it to the province. I was answered back that it was about a \$25-million increase. I think it's a mental health issue, because most of those 175 people are mental health patients and there should be an interchange between different ministries. It's going to be another problem at

the end of April if we put these people on the street. They're going to be another burden to another program.

Ms Czukar: As I said, we are working closely with MCSS and the Ministry of Municipal Affairs and Housing to ensure that doesn't happen. I don't think anybody is going to be put on the street.

Mrs Boyer: So that could be an initiative that could be taken towards the commitment that you have to provide supportive housing.

Ms Czukar: Yes.

Mr King: We'll take those comments back.

Mrs Boyer: Thank you. That's what I wanted.

Mrs McLeod: There are lots of questions. Maybe in the few minutes left I'll ask you about another targeted population that we've had concerns about, and that's the number of people who are incarcerated in Ontario who actually should have been admitted to a psychiatric hospital but there was no bed, or perhaps part of your answer will be "or could have been supported in a community setting with treatment if the community supports had been there."

I don't know if you have numbers on the number of people who have been incarcerated, who have been recognized as having mental illness and needing some form of treatment.

Mr Helm: I don't have any statistics with me, but I can say that we have been doing a number of things to try and minimize the backlog there. For example, we're working very closely with our psychiatric hospitals so that when someone in the jail system is identified for an assessment, depending on the severity of the case, we're trying very hard to do the assessments, if appropriate, in the jail setting. It's faster, it can be done quickly, at least an initial determination. That's something we're trying to do, so it doesn't necessarily have to be a transfer to a bed that might or might not be available.

We've put in a number of forensic court case workers across the province to be there even before an issue goes to court, to try and have it diverted. We've been very successful in a number of cases to get people diverted for very minor cases out to the community as long as they're linked with supports and services.

Those two things have been helping a lot. There are some cases where a client might be in jail who really does need a bed setting, and we try very hard to transfer the person into the closest psychiatric hospital. If we have to go farther afield, we do that.

The bed strategy that I mentioned isn't fully operational yet, but we have announced a number of beds. Hopefully once those are in place they will address some of the pressures. As we continue with community programs such as treatment teams with a forensic component, for example, and continue to enhance court diversion workers, once these beds are in place we will hopefully address some of it.

Mrs McLeod: Do you mean the supportive housing beds you were speaking about earlier? I'm just not sure which beds you were referring to.

Mr Helm: Sorry. If they have to go into a psychiatric hospital bed—

Mrs McLeod: Are you talking about going into a forensic bed?

Mr Helm: Yes. Is that what you were talking—

Mrs McLeod: Actually, I think it's not.

Mr Helm: OK. Sorry.

Mrs McLeod: I really think the forensic issue is quite different from the issue that I'm raising, which is people with mental illness who haven't been able to access treatment or who may be in a crisis stage and actually do need hospitalization at that moment in time, but there is no psychiatric bed to take them, and so the police have no alternative but to take them to jail. You know that I come from northwestern Ontario. That has been a huge concern in our region, and it has been a concern for police officers, who say, "We have no place to take them except to jail because they are a danger to themselves or to others."

We're also in a community where we're about to have a 50% reduction in the numbers of beds that are currently available as psychiatric beds in a different setting, and I think it's going to be a real dilemma for the police officers to know: "Where do we take people now? Do we take them to one of 17 beds in the acute care hospital that are designated for psychiatric?" If it's a supportive housing situation, which is the alternative, I suspect those beds will all be full. So we still have a crisis component: Are we going to have enough beds for crisis situations to deal with a population which is now being incarcerated totally inappropriately?

Mr Helm: According to our current plan—and to be honest, we don't know 100% whether it will be sufficient; that's why we want to do a review—we have on the books to create 144 new forensic secure beds across the province, and we've started that implementation in terms of announcing certain cities to get the construction going. That should help.

Mrs McLeod: I think the forensic is a separate issue, because they are people who are dealing with the court system. I'm talking about mentally ill patients who have no contact with the court system, who don't belong in front of the courts, who belong in a mental illness treatment program.

Mr Helm: Schedule 1 beds in public hospitals are also part of the reform strategy. We are enhancing schedule 1 or acute beds across the province, in addition to what I mentioned, the 144 forensic beds.

Mrs McLeod: That's in lieu of beds that are now in psychiatric facilities.

Mr Helm: It's in addition to the beds in psychiatric facilities. In psychiatric facilities, in psychiatric hospitals, the beds that we've identified for possible closure down the road are very specialized beds that we feel we might not require once the community supports are in place. So we're putting in forensic secure beds in those settings, but at the same time we are putting in acute beds, like schedule 1 mental health beds and children's beds, in the general hospital sector.

Mrs McLeod: But there is, certainly in my region, a very significant reduction in the net number of acute psychiatric beds.

Mr Helm: At Thunder Bay Regional?

Mrs McLeod: Yes.

The Chair: Could I just ask some clarification on that. In the health care restructuring commission report that came out just about a year ago at this time, it's my understanding that the number of psychiatric beds in the province were actually going to be reduced from something like—I don't know—

Mrs McLeod: It was 50%.

The Chair: —2,900 to something like 1,760 beds by the year 2003. Is that not a reduction, then? I'm reading right from the ministry's own health restructuring commission report. It says that the 2,900 mental health beds there were in 1995-96 are going to be reduced to 1,767 by the year 2003. Is that the issue you're raising, Mrs McLeod?

Mrs McLeod: Very much so. The bottom line is, we have people in jails now who presumably need to be in a crisis bed, and those crisis beds currently—there are some schedule 1 beds, obviously, but the majority of them are in psychiatric hospitals. The system currently isn't offering enough flexibility to prevent those people from being incarcerated. My concern is, with a 50% reduction in the overall number of beds—if we don't have flexibility now, how are we going to deal with those people in crisis in the future? Are we going to have more people in jail?

Mr Helm: I think that through the bed strategy for the entire system—when the commission talks about beds that should close, within our ministry we look at bed closures only at the point when it makes sense, where we have the community supports in place. The plan is to go in a certain direction. The actual implementation could have flexibility as we get there. If we feel community supports are in place and some bed restructuring is warranted, we would pursue that on a case-by-case basis.

To come back to some bed numbers—I know you were talking specifically about forensic, but there are other ones.

Mrs McLeod: No, I'm actually talking about acute crisis beds.

Mr Helm: Children's beds, for example—

Mrs McLeod: No, I'm talking about acute adult psychiatry.

Mr Helm: Acute forensic only. OK.

The Chair: Not forensic; just acute beds.

Ms Czukar: I think there's some confusion here. The reason that Dennis keeps coming back to forensic is that the police can't pick people up and take them to jail without charging them with something. When they charge them with something, in our system they're a forensic client. At that point, there are the diversion options and there are other options in the system. When they're being held in jail because there's no other bed, we identify that person as a potential forensic patient.

Mrs McLeod: I understand. Look, I know we need forensic beds for people who need a forensic, secure setting, but these are people who are being charged and become labelled as forensic patients because they couldn't access a system that was not in jail.

Mr Helm: In terms of acute beds, period, we have 195 acute beds that are planned to be put into the system across the province.

Mrs McLeod: So, 195 versus the closure numbers of acute beds; a net increase of 195 acute beds?

Mr Helm: It's 195 new acute beds. The closures tend to take place on the side of specialty and tertiary beds. According to the commission, we're over-bedded on the PPH side, to be honest, on the specialty side. So we're downsizing on the specialty side after we have community supports in place. The acute side is under-bedded now, so we have to raise the number of acute beds and forensic beds.

Mrs McLeod: It is possible, Mr Chair, to get some data tabled with the committee?

The Chair: We'll get back to that this afternoon. It's 12 o'clock now. We'll recess, and we'll resume again at 1:30.

The committee recessed from 1202 to 1334.

The Chair: I'll call the hearings back into session, and I believe we're over on the government side now. Any questions at all by anyone?

Ms Mushinski: I'd like to continue my line of questioning with respect to outcome evaluation. I think one of the auditor's outstanding concerns was that there needs to somehow be a comparative evaluation done of the cost of home-based or community-based care versus the cost of institutionalized care for the mentally ill. I'm assuming that some of these cost evaluations have been conducted with respect to moving from institutionalized care to community-based care. Could you comment on that?

Mr Helm: When we do our financial planning for mental health reform, we do some costing forecasts on, for example, the cost of bed services. As you know, part of the plan for restructuring is to close beds down the road and reinvest that money into community support. So we do have costing on that side.

Ms Mushinski: Yes. Could you repeat that? I think it's important that we understand that.

Mr Helm: When we start with our mental health reform agenda, which includes community investments plus inpatient downsizing, we do costing exercises of putting a cost per bed, for example, in a psychiatric hospital so that when the time comes when we feel community supports are in place that then warrant a review of possibly closing some inpatient services, we have a cost value on those beds. So when those beds are closed, we have an actual dollar value, pot of money, available to us to then reallocate to various areas of the province, based on our planning.

When we evaluate and reallocate money elsewhere in the province, as I mentioned earlier, it's really focused in on best practices and to address the needs of that community.

A while back, when we started reinvesting into the various areas and into best practices, we set up an evaluation process to evaluate reform overall, including our bed ratios, our shifts and the effectiveness of best practices. As John mentioned in his opening remarks, we have an evaluation exercise that's just starting with the Mental Health Foundation, the Centre for Addiction and Mental Health and the Canadian Mental Health Association—Ontario. They will be doing an evaluation process to report back to us primarily, from our point of view, on the quality-of-life indicators that come out of this. Clearly, our reform agenda is to improve services, have them closer to their home community etc, and the best practice model. So we want some feedback: Have we been successful in that regard of quality of service, changing the circumstances in their lives, and also how effective has it been from an economic point of view, but perhaps more importantly, from a social service quality point of view?

Ms Mushinski: So the in-patient downsizing exercises aren't as a result of being wedded to any particular economic exercise but are more from the perspective that our government believes that community-based care provides better quality of service as well as quantity of service for the patient.

Mr Helm: That's correct, yes. As we go through the reform exercise, it is not a cost saving exercise. We have been clear that any savings in terms of bed closures, for example, come back to us corporately in the ministry to reallocate all of that funding out to the community. Equally, on the psychiatric hospital divestment process, it is not a cost saving activity at all; it's a commitment to transfer the resources, and in some cases additional resources, to ensure that the mix of services is maintained and improved. We're not faced with a cost constraint exercise here at all.

Mr King: This is consistent with the strategy also in the hospital system, that we're moving from a dependency on the in-patient side to the community. I just wanted to follow up on the question earlier because I felt like we'd left that bed situation up in the air.

Mrs McLeod: I don't mind; if we don't have time for that, we can do that later.

Mr King: That's fine; I'll do that later.

Mrs McLeod: I'd be happy to have it now, but we will come back to it.

The Chair: We'll wait until we finish this.

Ms Mushinski: You don't mind him cutting into my time, then?

Mrs McLeod: No, I offered it back. I thought that was really a non-partisan thing to do.

Ms Mushinski: You can have it.

I think Bart had a question.

The Chair: You have about 15 minutes.

1340

Mr Bart Maves (Niagara Falls): I just wanted to say that the report we're here about today is actually the follow-up report. The auditor came back after the 1997 report to do a follow-up report in 1999. We often get

ministries in here, and the members of the committee give them a good grilling on things occurring in their ministries and pick on some of the things the auditor has pointed out. I do want to remark, though, at the outset of my comments that the opening line of the auditor's 1999 report is, "Recommendations relating to the following areas of our 1997 report have been substantially implemented" There are several areas. I'm not going to read them; anyone can do that on their own. They include, though, the definition of acceptable levels of care, homes for special care respite grants, and a variety of other things. I want to congratulate the ministry for implementing those recommendations over the past two years, since the auditor did his initial report.

One thing in this 1999 report concerns me. The Provincial Auditor talked about four areas: mental health reform, performance monitoring, management information systems and homes for special care quality of care. There are five or six things that he points out: progress in meeting mental health reform targets, comparing the costs and outcomes of community-based care with those for institutional care, outcome measures and monitoring programs against them, and a few other things.

In the ministry's response, they all are dependent upon the completion of the mental health minimum data set. I note that the ministry's response to the auditor is that this has been deferred because of the year 2000 and the effort there. In your remarks, Mr King, you referred to the mental health minimum data set, but there doesn't appear to be any timeline as to the completion of that. In order to fulfill some of these remaining recommendations, which are actually stemming from the 1997 report, that data set has to be completed. So I'm a little bit concerned that we may still be looking at a few more years down the road and it could end up four or five years after the auditor's initial 1997 report before you are able to implement some of these things. Can you give me any comfort on the completion of the data set and the timelines?

Mr King: I'm not sure I can give you any comfort; I will certainly respond to the issue that we have right now in the ministry. The year 2000 project took a lot of time and energy from all of us in the system and we did have to put a number of projects on hold. We had to prioritize to ensure patient safety in the system, and that's why the Y2K had the attention it did.

We have prioritized a number of projects right now at the ministry. As you may or may not understand, we also are doing the same with the CCHCs in the system. We have information systems that we're trying to deal with in the community health centres. The hospitals are still looking at a new funding formula. So there are a number of priorities in the system.

We have identified that this is a priority for us in the mental health system and we will continue to put that priority forward, but it has to be taken into consideration in context with all the priorities in the system. But I'd like to assure you that we believe it is very important to have this information from the field so that we can do comparisons as well as benchmarking and to ensure the

accountability. Those will be our priorities for all of the areas. We hope that will be addressed in the next two years.

Mr Helm: If I could add, there are a number of other accountability mechanisms that we are following through on. Hopefully the minimum data set will be approved and we can go forward, but in the interim we are proceeding in a number of other significant areas.

In the mental health area, we have refined the annual operating plan process, which is fairly standard in many program areas, meaning simplified it, and, as I mentioned earlier, we built in a very specific accountability component for new initiatives. If new money is given for a community treatment team, they report specifically on that in terms of the clients, the issues. So we are collecting some of the information that has been identified by the auditor and through the minimum data set.

Also, on the hospital side, to ensure that we get the appropriate data once our psychiatric hospital services are divested to public hospitals, we have gone through an exercise of altering the chart of accounts, which is the standard reporting requirement for our hospitals. So when a public hospital does assume responsibility for our psychiatric hospital services, they are able to report in enough detail on the mental health side so that we have the baseline data about the clients, their medical diagnosis, their requirements for discharge. One other thing we have is the psychosocial rehabilitation tool that is used in the community that we have supported, and that's another mechanism for client data, assessment data. Together that helps meet some of our information needs, but hopefully the minimum data set would bring a lot of that together.

Mr Maves: By definition, then, is it going to take a certain number of years of experience in compilation of data before you're going to be able to derive any conclusions from that data?

Mr Helm: I think it would take probably one full year to get things up and running. If through the ministry we can confirm the minimum data set is a go that we've always been planning on, then we have to go into a full piloting. We had a limited pilot to see if the tool works. We have to apply it more across the board, look at the technology survey that we've completed, and see what upgrades are required in our programs for them to deliver that data. I think that would take about a year, which would take us to the end of the next fiscal year, and then hopefully full reporting could start at that point. In the interim, we would rely on the other data mechanisms that I've outlined. That's all tentative time frames, but my best guess.

Mr Maves: Similarly, the auditor's fourth recommendation under homes for special care was that you should "mandate compliance with the minimum standards of care as a condition of licence renewal." I have two questions in this regard. The first is, does the ministry agree with that principle?

Mr King: Absolutely.

Mr Maves: Secondly, this also is dependent upon the ministry developing a comprehensive housing policy that will set out standards and monitoring mechanisms for all supportive housing. This is separate, apart and distinct from the mental health data set. So where are we on the development of that comprehensive housing policy?

Ms Czukar: As I was mentioning this morning, that comprehensive housing policy is in the approval process and it should be, we hope, approved shortly and be available for the next stage of implementation. As I mentioned also, the notion of standards of care has to be applied not just to homes for special care, but to the other forms of housing that are going to be covered by the policy, ie, supportive housing and domiciliary hostels. These programs now have different funding mechanisms. They are not licensed programs like HSC. HSC has legislation; dom hostels operate in quite a different way. The need for consistency is there. That's what the policy and strategy are aimed at. There will be consultation on implementing that policy so that there is a link between the standards of care, the levels of funding and the licensing.

1350

Mr Maves: Do you think we'll be able to have that up and running for the 2001 fiscal year?

Ms Czukar: That's certainly the hope.

Mr Maves: OK.

The Chair: That's 20 minutes right there.

Mrs McLeod: I know my colleagues have questions for this session, but just let Mr King respond, if he wishes to, on the bed issue.

Mr King: Yes. I wanted to get back to this because I felt we left it somewhat confusing at the end. I think we were talking about different levels of care. The commission has basically directed us on the divestment of the PPH hospitals, and that will involve PPH closures. The numbers are clearly documented. I can get the numbers for you.

At the same time, the commission has also directed, based on certain bed numbers and formulas throughout the province, the opening of additional beds. Until the year 2003, we will consistently open beds in the whole area of children's mental health and acute mental health beds, which are the majority. We will also have some tertiary and certainly forensic beds. It's really a timing issue. In the next four to five years we're going to have more beds than are required in the system, and then as the community supports are built, we will begin to downsize on the specialty side.

As far as the acute numbers are concerned—and you were actually giving us some numbers of going from 2,900 to 1,700—there is a decrease in the number of specialized beds, but at the same time we're also increasing on the other side. There are certain communities right now that have more beds than they will in the future.

You had also asked about Thunder Bay. There will be a decrease in beds in Thunder Bay, but these beds are also moving out to other communities, like London-St

Thomas, Windsor and other areas in southwestern Ontario.

So it's really somewhat of a timing issue. If you want specific numbers, we could always come back to that at some point. But I did want to clarify that because I felt we left that very confusing. I try to explain things in the simplest terms. If I didn't explain that well, then we'll have somebody else try.

Mrs McLeod: I think probably one of the difficulties is the HSRC does not actually refer to acute beds, and maybe that's because acute beds are considered to be schedule 1s in acute care hospitals, and the HSRC recommendations don't distinguish when they look at the beds in the psychiatric hospitals. They just have a lump—

Mr King: Number.

Mrs McLeod: They call them all chronic beds, except for the forensic, which are separate. If I take the Thunder Bay example, we have already 24 schedule 1 beds in an acute care hospital. Those are to go to 30.

Mr King: Correct.

Mrs McLeod: They were supposed to go down to 17 and, revised, they're going to 30. So that, I understand, is an acute care bed. But at the same time, we have 118 beds in the psychiatric hospitals that will go down to 51. This is not counting any forensic beds. So 61 beds net is the loss. I don't know, because the HSRC report doesn't distinguish it, what portion of those are psychogeriatrics, and where my concern should be with psychogeriatric beds and where my concern would be with what I called acute, but I probably need a different term. It's people in crisis.

Mr King: Right.

Mrs McLeod: As I said, police right now have an alternative potentially to take them to a schedule 1 bed, although that would be highly unusual. Most often they would take them to a psych hospital and there would be a crisis admission. It's those beds that I was trying to get at. Certainly there's a significant loss of beds from the psych hospitals, which is the figure my colleague was using.

Mr King: The other part that I think we're missing in that equation is the community supports, though, because that's what we're trying to build up in the system as we downsize those beds, and also have the ACT teams in place.

Mrs McLeod: I appreciate that. I also, by the way, appreciate the fact that there has been a hold put on the closure beds until community supports are in place. I acknowledge that and I'm appreciative. I guess what I'm looking at in terms of the planning is to make sure that we retain a flexibility so that we can respond to people in crisis. I think there is a real concern about whether or not the number of beds remaining in the system is going to be adequate to provide that flexibility.

Mr King: Again, I feel that we are dealing with a direction that has been given, and we will continually monitor this also. We continually monitor all the resources in the system.

Mrs McLeod: Rather than pick up on the reference, I'm going to turn it over to my colleague, who has a number of questions.

Mr Richard Patten (Ottawa Centre): Thanks for being with us today. I have two categories of questioning. One is related to some services in my own area, which I probably know better than the general field. I'm relating it, though, to the area of mental health reform.

You may be familiar with the Royal Ottawa Hospital, which is an ancient facility, 85 years of age. It was originally designed for patients who had tuberculosis and therefore it was a good place for people to walk around. The place was designed very well. It's now an old facility with patients who stay there sometimes three to a room, divided by curtains. It's completely inappropriate for long-term stays. With the decommissioning of Brockville, I know not all of the beds—there are about 300 beds, something in that neighbourhood—but roughly 180 will be redistributed and some of those will be going to Ottawa because a lot of the patients who are in the long-term arrangement are from Ottawa.

They have a dilemma. I know it's not easy for you folks, because you've got the auditor and you have the restructuring commission and you have your own government and your own ministry and everybody looking at what you're doing, but the hospital is faced with dealing with the recommendations of the restructuring, or at least the ministry is. They like very much your document *Making It Happen*. They think that is extremely well done, and they have put together a vision of what they believe fits within that framework. But they can't respond to both. I hope there's no one here from the restructuring commission. They like this approach because they think the other one is quite limited and is a patchwork, sort of "We'll catch up and just make a little bit of an addition to this place." How do you deal with a situation like that?

Mr King: If that's a general question, we have been working with all of the communities that have commission directions and we are proceeding on the commission directions because they were, by law, the way we were moving. If there were some concerns with certain communities on what the directions did say, they were asked to refer that back to the commission.

John Oliver, my colleague, is the assistant deputy minister for restructuring. John and I would meet on a regular basis with the commission to see if we could assist those organizations. They then would go back to the minister with advice if there were to be changes. So we did have a process in place to try and work on that. Failing that, we would follow the commission directions, and that is really the way we're moving now.

I mentioned earlier that I do have someone here from the hospital restructuring implementation team. If you would like to direct a question specifically about the Royal Ottawa Hospital, we can maybe address that as far as the divestment from Brockville is concerned.

Mr Patten: No, I won't take the time of the committee to do that, but I would like to chat, if I might, with one of your officials later or whatever, if that's OK.

Mr King: That's fine.

Mr Patten: I'm just saying that the document—and I had a chance to read it. By the way, that's not for general distribution, is it, Making It Happen?

Mr King: Yes, it is.

Mr Patten: I think we could only get it through the library.

Mr King: It is available.

Ms Czukar: We have many.

Mr Patten: You have extra copies? OK.

Mr King: We should have brought some copies to-day. I'm sorry about that.

Mr Patten: That's both the operational framework and the implementation document?

Mr King: Yes, that's correct. We can make sure you receive copies of that.

Mr Patten: The document on best practices I thought was quite helpful as well.

However, having said that, the restructuring commission says the fact that—and this is from its most recent report, I gather, which was in February. So that's a year ago. I wonder if this is still true. They're saying, "Little has happened over the last two and a half years to move the PPH changes forward"—provincial psych hospitals—"has not only stalled the progress of mental health reform in all regions of the province, but it has contributed greatly to the increased scepticism about mental health reform in general."

They go on to say, "In particular, there's a lack of confidence among providers, individuals with mental illness disorders and their families that a ministry-led process will be able to respond expeditiously to local circumstances."

Is that an outdated judgment, do you think? What has happened in the interim, because that's a year ago that that was made?

1400

Mr King: I'm not sure I really want to comment on the commission. They basically have made their comments based on their observation. We are working as best we can with those communities that are affected. I think if we see that there are major issues and it's not in the right direction, then we will try and improve that situation.

Mr Patten: They're talking about setting up these regional, local structures.

Mr King: We are proceeding with the task force groups. The mental health task force groups would then look at how they can best effect the community supports. It's local decision-making, having local consumers on the committee.

We've just had our experience with the first committee in the north. It's been a very good experience. They have just made their recommendations to the ministry, which we are reviewing at this time. I think we're seeing that there is definitely local community involvement in

determining what's best for those communities that are going to receive community supports with the divestment process.

Mr Helm: In the interim, in terms of community investment and planning, where there isn't a task force yet in place, the ministry is very keen on making sure the process of divestment, of reinvestment, is up and running. So ministry staff are taking the lead with the community players in looking at the system design that should be put in place post-divestment of the psychiatric hospitals. We're leading the divestment of the psychiatric hospital process, and we are also leading the community consultations and planning for the allocation of the new investments.

We're proceeding, making sure all that is moving along, and when the task force is up and running, the ministry staff hand off to the task force the work that they've been doing, because we don't want things to be on hold until a task force is place. So we are doing our normal work and then we will pass it on to the task force and support the task force to make sure the momentum isn't lost.

Mr Patten: One question that was asked this morning by Ms Mushinski was the integration or integrity issue. I look at this in terms of there being a whole variety of things that cross over between ministries, and I'll tell you, it drives people crazy, no pun intended, literally. They get played off against each other: "We don't have money; go over and see them." The same institution—different ministries literally have different standards for physical design standards. It drives these organizations nuts.

I think, for example, in the area of mental health, of the children's mental health centres, and I visited a number of them recently. I guess their funding comes from Comsoc. How do you work together? Why isn't that all under one rubric called mental health, regardless of age, that you've got a responsibility to work through?

Mr King: First of all, I believe our relationship with the Ministry of Community and Social Services is very good. I think we're actually improving on our co-ordination.

I spoke earlier about the regional offices. The regional offices, where possible, when we move them out to their communities, will be housed with the community and social services teams. So that way we are building on that integration of ministries. We have some joint cities now that are dealing with this.

One area, if I can mention it, that drives a lot of people crazy is the reporting and having different reporting back for different ministries that fund the same organization. In that way, we are also working very closely with community and social services to streamline that process. We have a joint cluster group dealing with information systems so we're asking for the same information.

I really believe, sir, that we are improving that relationship, and I think we're always moving forward as best we can to help streamline the process.

We also have a joint position now for integrated children's services which is between Comsoc and the Ministry of Health and Long-Term Care. This will address a lot of children's issues, a two-ministry team.

Mr Patten: We all have a lot of questions, but I'll confine myself to one more. The children's mental health centres' waiting list has expanded, as you know. With the schools now having less funding for special education, children who have some mental health issues to work through in many cases are on a waiting list just for assessment. So people are being forced to go privately. That obviously puts pressure on children's hospitals etc, so it works its way back into the system. There's a very critical situation that is occurring here that requires some expeditiousness.

I'm going to ask you, in light of those particular pressures and your planning frameworks, do you have the resources to move ahead or to turn up the gas on your timetables in terms of the target dates that you had before? Even the restructuring commission is saying that, although I know you don't want to comment on what they say. You had a choice how you used that money. Remember that.

Mr Helm: We have a specific plan in terms of investments for children's inpatient reinvestments. Within the Ministry of Health we're responsible for implementing the HSRC directives around new children's mental health beds across the province. As we go through that process, we work in partnership with MCSS to make sure the beds we have been directed to put into a certain community fit in with the MCSS overall children's service plan for that community. So we are working with them.

In some cases where bed enhancements require capital construction, which could take a number of years, we have asked the hospitals to try and fast-track proposals that come in to us: What can we do in the next year or so, maybe in the existing building if it's cost-effective etc, with the longer-term plan of having the beds fully operational at the end of the day? We want to look at immediately getting something in place and in the longer term to completely fulfill the HSRC directives, and that's within our responsibility, working in partnership with MCSS.

Also within our responsibility, the Ministry of Health and Long-Term Care funds 21 children's mental health outpatient programs through hospitals. We have been working very closely with our MCSS partners to look at a number of things that would provide a better service, perhaps standardized assessments in our system and in their system, as an example.

The government's last budget talked about a \$20-million announcement to implement some of the work that Margaret Marland did. We are working in partnership with MCSS around those activities on common assessments, and other service models are being looked at. We are making progress and we want to fast-track the services to the children's population as quickly as we can because of the need that has been identified.

Mr Patten: I'll come back later on.

The Chair: That's 20 minutes, so I will turn back the—and I owe you five minutes from the last time.

Interjections.

The Chair: I plead guilty, and the auditor didn't even have to remind me. Go ahead, Ms Munro.

Mrs Munro: There seem to be some themes emerging from much of the discussion that has taken place here today. I'd like to follow up on a couple of those.

One of them is the whole issue of best practices. I wondered whether you could give us some insight into two aspects of best practices, the one from the point of view of what you have seen as best practices to promote mental health reform; secondly, I'd be interested in any comments you might have with regard to other jurisdictions and where we stand in relation to those other jurisdictions that you might have looked at to provide us with some sense of our position with regard to those other jurisdictions.

1410

Mr King: I will lead off on that because I think you've raised a good point on best practice and benchmarking. We can always learn from other jurisdictions. We should not reinvent the wheel all the time. The ACT teams, for example: We did pick that up from some of the American system. The ACT teams are really a best practice. We are seeing constant results from that. Personally, having been involved in Windsor to see the ACT team working, which is also involving the hospitals, the community, the mental health agencies, long-term care—it involved London, St Thomas—there was an incredible group of people working together to resolve this issue of the patients, providing the best resource available in the community. That is a specific example of best practice that we have adopted here.

I'm sure Gail has some other areas that she wanted to cover.

Ms Czukar: When you're asking about other jurisdictions, I might address both together. Best practices was the subject of a 1997 federal-provincial-territorial report that was put out by Health Canada on behalf of a national working group. That report detailed best practices and has in it examples from other jurisdictions, both in Canada and outside of Canada, in terms of what best practices are. There's a lot said in *Making it Happen* about what the best practices are. As I said, we have many copies of these documents that we'd be happy to provide. We don't have them here, but we can get them to you.

I might just run through what some of those best practices are. John has mentioned ACT, assertive community treatment, teams that are being implemented, as we reviewed this morning. Intensive case management is another best practice. It's linked to assertive community treatment teams but it's not the same thing. Crisis response services—there are two levels of this. One is the service level, which I'm addressing now, and the other is systemic best practices, and I will get to those. There is crisis response, supportive housing, outpatient care, consumer self-help and self-employment initiatives,

vocational, educational programming and family self-help programs. Those are the services that this document says are the best practices that we should look to be implementing as we implement mental health reform. We are working on all of those.

At the system level, it's not enough to just have these discrete services. You have to have some other things. You have to have integration and integrated access, program evaluation, accountability mechanisms. We are working on developing an accountability framework specific to the restructured mental health system, in addition to general accountability work that's going on in the ministry that John referred to.

So those are some of the best practices that are set out in the 1997 report, based on experience in a number of jurisdictions.

Mrs Munro: You've also touched on another theme. That is, of course, as clearly emerges from your immediate comments and from comments made earlier today, the whole question of the integration. That was my opening question this morning, and we certainly have heard in a number of ways where initiatives have gone in the direction of creating greater integration.

When I asked the question this morning, you talked about the regional offices. More recently, this afternoon, you talked about the fact that, where possible, those regional offices are being set up with MCSS as well. I wondered whether or not down the road you see the possibility of the inclusion of the ACTT group with the CCAC or is there a possibility that they may work together? Obviously, the ACCT is going to have to work with the hospitals and other health care providers. I just thought we needed to know what the crystal ball tells us.

Mr King: Certainly with the regional offices, the regional teams will be reaching out to those communities to involve mental health, the hospitals, long-term care, which includes CCACs, in addition to community health centres and public health, the district health councils also being part of that. We see some focus groups coming together and to locate some of the programs where they best should be located. I would never say that we would never see that occur, for example, an ACTT with the CCAC, because I think we're very open to what works best at the community level.

The north is different than the south. Things happen differently all over this province and we need to allow the freedom for that to occur. So that really is the vision that we're moving forward. Our ministry vision is as close to home as possible and the affordability of the system in the right place.

We have to be open to the type of thing that you're proposing in the future and, of course, we believe strongly in integrated systems that are working together for the best interests of the patient, the client or the resident.

Ms Mushinski: I'd just like to follow up on that, if I may, just for a minute. As the integrated services pertain to mental health services in the province, I'd like to zero in a little bit on children's mental health needs. Mr Patten

touched on what I believe is a serious problem and it's perhaps this entrenched culture that is found within the bureaucracies; I'm not sure. If we truly want to achieve one-stop shopping for the mental health services of our kids, as well as all Ontario residents, how do you overcome this traditional model of community social services? On the one hand, Children's Aid is required legally to deliver those services. If that is a barrier, how do we overcome that? If we've identified these barriers, who deals with them? Are there things that we should perhaps be suggesting as policy amendments to deal with the removal of barriers to achieving this kind of perfect model in a perfect world?

Mr King: Again, I think that you picked up some themes; perhaps we have also picked up some themes from you. We believe that we need to move forward in integration not only within our ministry but with other ministries. I believe you're going to see some new developments with community and social services and health in the future, especially in the area of children's services because this is where it's been identified that there are some overlaps and some areas we need to work on.

We agree with you. How quickly we can make that happen and the barriers that we need to overcome are something that we'll certainly bring forward if it's an issue.

Ms Czukar: I was just going to say that I will be very happy if we find the perfect model for this system and address all of those barriers in the near future. Dennis addressed some of the specific mechanisms that we've been working on to try to integrate these systems. I think common assessment tools are essential to integration and we're certainly looking at those, not just in the children's system and using those between the two ministries, but across the mental health system. That's what long-term care did. When you talk about CCACs, they started with assessments for levels of care and assessments for community services and CCACs use a standard assessment to determine what services people need in the community. We have to move that way in the mental health system, both for adults and children. It's a very important mechanism.

1420

Mr Helm: In addition to what I referred to earlier, I should have mentioned as well that the MCSS initiative, Making Services Work for People, is calling for co-ordinated access between all children's activities. Local working groups are being established under that sort of policy framework and the Ministry of Health will be represented on all of those working groups. So that's another example of us going the next step and working together with MCSS in a very formal way.

Ms Mushinski: So there are some real attempts to try to remove some of the jurisdictional jealousies that have come along with the system.

You may have touched on this, although I'm not quite sure I heard it this morning. I know you referred to the ratio of government funding to hospital-based and community-based having changed. From 1994 to 1995,

you said the ratio was 75% hospital funding to 25% community funding, so there's been a considerable shift in four or five years from that ratio to 60-40. Did you mention this morning—I can't remember if I heard it or not—that the ministry had set some short-term and long-term targets to change that ratio and, if so, how you want to accomplish that?

Mr Helm: The ratio at the beginning was 80-20, and that was 80% institutions.

Ms Mushinski: When you say at the beginning—

Mr Helm: That was at the beginning of reform in 1992-93. The goal we wanted to get to was a 60-40 ratio of 60% community and 40% hospital. We're at a 60-40 ratio now, but it's 60% hospital and 40% community.

Ms Mushinski: Did you set any time lines to that goal?

Mr Helm: I think generally speaking we had said within the 10-year time frame of reform.

Ms Mushinski: So by about 2002-03.

Mr Helm: Yes, 2002-03 was our initial goal.

Ms Mushinski: You'd like to see the ratio change from 75-25 actually to 40-60.

Mr Helm: Yes.

The Chair: How many people are we talking about in total? When you're talking about a ratio, do you have any idea as to how—excuse me for just a moment.

Mr King: We're talking about dollars.

Ms Mushinski: That's government funding.

The Chair: I understand.

Mr King: It's split between the community and the institutional.

The Chair: You have no idea how many patients this represents in total, is that correct?

Mr King: I'm sorry. I don't have those numbers.

Interjection.

Mr King: When we're dealing with that, we're really just talking about the health budget also.

Ms Mushinski: I assumed you had mentioned those figures in terms of mental health, but you're saying overall health spending?

Mr King: No. The question was, is this health as in mental health, not community and social services? That's what I thought you were talking about. It's just mental health targets that we're dealing with here, but it's for the Ministry of Health and Long-Term Care.

The Chair: The percentages that you're talking about are the percentages of dollars that you're spending in each, not the number of patients who may either be in an institution or—

Mr King: No. Percentage of dollars.

Ms Mushinski: Is that consistent with Comsoc's targets as well? We're talking about setting standards here.

Mr Helm: I'm not aware of Comsoc having a fiscal shift ratio goal. It's more of a policy thing.

Ms Mushinski: It's a policy thing?

Mr King: They don't really have institutions either, so it's not the same that we would have.

Mrs McLeod: I want to come back to a number of issues that have been touched on already today. First of

all, I think it was a question Ms Mushinski asked earlier this morning, and that is, the commitment to ensuring that all of the dollars that are saved in the closure of psychiatric hospitals and psychiatric hospital beds are going to be moved into community services. The first part of my question is, does that mean that those dollars will all stay in that community and region? My understanding is that the dollars are going into a central pot for redistribution.

Mr Helm: Yes. The reform strategy is that, as you mentioned before, some areas are identified perhaps as being overbedded at this point. Therefore, at the appropriate time, those beds could close and the money be brought forward. Because of that, it was felt that the best strategy is to bring the cost savings from those beds to the ministry centrally, to then look at the provincial needs across the province and allocate out where needed, maybe some back to that home community, maybe to another community.

Our concern was that if a community or region is overbedded for historical reasons, it might not be equitable to close those beds and keep the money in that community because it would maybe continue in terms of having overreinvested, if that is the case. To have the best approach to equity, it was decided to bring that money corporately and then we would decide which regions are lacking or which were most in need from an equity point of view.

Mrs McLeod: I appreciate the intent, but I think we have several dilemmas. I suspect that they're shared dilemmas, but let me pose the questions.

You've indicated in the auditor's report that your evaluation projects that are looking at institution-based or hospital-based costs versus community-based care are just in their early stages in terms of beginning to yield information. We're talking about a 10-year reform project that's now seven years into play, and we're talking about evaluation projects that are now three years into play and we still don't, as I understand it, have any data that guides the resource allocations in terms of institutional versus community, let alone the comparative costs of the two. Is that a fair conclusion for me to come to, based on what your response to the auditor's report is?

Mr King: I would like to take a stab at that. I think that we certainly have a better idea than that as far as, "Is this the best place to put the dollars?" The less reliance on institutional care is well documented—

Mrs McLeod: I don't want to argue with you philosophically. I agree. I'm really concerned about where we're going to get the dollars to do this well.

Mr King: The reinvestment is there, and the commitment's there for the reinvestment into the community side.

Mrs McLeod: Of existing dollars that are in the PPHs right now?

Mr King: Of existing dollars. There are some extra dollars going in too, because we're also putting dollars in the system now that build up the community supports. So I think that there has been a great deal of investment and

a great deal of thought given to this approach. You're right; we do need to have more reporting on the evaluation side, and perhaps we haven't moved as quickly on that side. But this is a timing issue for us.

I think you've made some good points, and we'll take that under consideration. I think it's important that you've raised that.

Mrs McLeod: I appreciate that. The timing issue's crucial. I don't want to take time to get into a debate about philosophy, because there is no debate about the philosophy. It's just a question of, "Are we going to have the services in a combination of community and facilities that we need?" I think everybody here would agree that that's the goal.

Mr King: Agreed.

Mrs McLeod: I'm looking at the HSRC recommendations in terms of community investments, and I'm not sure, given the fact that we don't have the evaluation project data in yet, exactly what they use to determine the dollars. But they are looking at a \$63-million to \$87-million investment, depending on what standard we're prepared to accept as far as a recidivism rate is concerned. They state that this reinvestment translates to \$55,000 to \$77,000 per PPH bed closed. Mr Helm earlier mentioned that you'll have a cost per bed. Do you have that cost now, and does the cost per bed that is being closed correspond in turn to the reinvestment that the HSRC says is needed for community service?

Mr Helm: We've done calculations in terms of the average cost savings in total per bed just as a general rule. It depends on the hospital as well. Some hospitals have a lower per diem than others. But as an average, \$400 to \$450 per bed per day is often a benchmark. We have used the varying rates by PPH to determine, if those beds close, what will the dollars be, the total amount that would come back to us?

Mrs McLeod: And the figure would be?

1430

Mr Helm: About \$48 million is identified as a rough benchmark for the value of those beds.

Mrs McLeod: That suggests to me that we're already close to \$30 million short of what the HSRC said was the minimal—I shouldn't say "minimal"—that's enough for investment.

Mr Helm: That's not our only source of funding. That is the cost related to the beds. If they close, we have that money to keep and reinvest. In addition to that, through our annual BPA process, we are requesting and receiving new funding, like the \$19 million that was announced in December, the \$60 million that was announced in 1998. That is new money.

Mrs McLeod: I'm appreciative of this. Here's where I'm seeing this as a dilemma, because we've seen what has happened on the acute care hospital side where the cuts were made to the acute care hospitals before either the community supports or the long-term-care supports were in place. We've had chaos for a year.

You said very clearly and the minister said—and for me it was a landmark decision I've already acknow-

ledged today was an important one—"There will no closure of psychiatric beds until we are assured that the community supports are in place."

But a few moments ago I heard you talk about the process—and as you said, a timing issue, Mr King—because the divestment process, which is being carried out with the Ministry of Health's leadership in an essentially closed-door situation, is going ahead. You said that you don't want to slow down too much on it and that at some point it will be ready to go and you'll turn it over to the implementation task force.

By the way—and I want to come back and talk about mental health agencies—I think there should be more publicity given to the fact that your implementation task forces are being put in place, because that has been a huge issue of concern, as the HSRC identifies. Based on what I've seen locally and what I'm hearing by word of mouth, the people who are on the committee are good people and they restore confidence, and you should be telling people about that. But they have a 12- to 18-month reporting time before they can come to you with advice on what is needed for community support.

My dilemma is that I'm really concerned that divestment is marching ahead and it's going to be 18 months before we even know what we need in the community, let alone how much it costs, because the evaluation projects on how much it will cost to provide support in the community aren't in place yet. How can we be sure that we're not going to lose psychiatric beds through the divestment process before we've got all the community supports in place as promised?

Mr Helm: When the divestment process goes ahead, it's important to look at it as a transfer. I'll use Lakehead. Everything currently operated at Lakehead will be transferred as is to St Joseph's. There won't be any restructuring, no bed closures at all at that time—everything is being transferred over—so at the time of transfer, there shouldn't be a fear of downsizing that day.

When it goes over, then there is clearly the HSRC directive that they need to plan for closing 74 beds in Lakehead over a certain period of time. But then it's our job, with the task force and with St Joseph's, when they propose, "OK, now we're ready, we can close these beds," to make sure that the community supports are in place—the community investment fund money that we gave them a number of years ago, some of the \$19 million that we just announced in December. We would have to be convinced that all of those are in place. One of the conditions of funding some of that was a clear link with a psychiatric hospital. Some clients could be, through the patients' assessments, identified for discharge. We would need clear documentation that with the community investment fund and the \$19 million, part of which went into the northwest, you can now move maybe 50 clients.

If that is the case and they have the supports, then the ministry would propose internally to close a portion of the beds. Those 74 beds would not close just like that, according to the schedule outlined by the commission. It

has to be evaluated by us and with the community and, if it's not ready, those beds will stay open until they are ready.

Mrs McLeod: What is the target date now for the closure of the psychiatric beds?

Mr Helm: For those beds? Just on paper, the 74 beds, or 68 beds in Lakehead, are to close in 2001-02. That's on paper.

Mrs McLeod: Just staying with the local example, if the implementation task force is just now having its first meeting—

Mr King: It's just beginning.

Mrs McLeod: It's due to report in 18 months. I don't know if we've got a target date on your evaluation project being completed so that you have a good handle on the cost of community care versus institutional care, but how does that tie in with that target date for closing beds?

Mr Helm: The task force, as soon as it's up and running, has a life of about 18 months or longer. They can come forward with recommendations as soon as they're ready. Two or three months into their mandate they might be ready to make recommendations. So it's the life of the task force that we're assuming is approximately 18 months; we expect recommendations before that. As I mentioned, the ministry staff have been working right up until now looking at the system in the northwest and where reinvestment should be put, and that will go to the task force. So a lot of the work has been done, and hopefully the task force will feel it's good work and they then move along on it and make the recommendations.

Mrs McLeod: Is the northwest one the second implementation task force?

Mr King: Yes, the second one.

Mrs McLeod: Of nine.

Mr King: Yes.

Mrs McLeod: When do you anticipate the other seven being established, and what do you see as their target dates?

Mr Helm: We're hopeful that throughout the end of this fiscal year and into the next fiscal year we will have them across the province.

Mrs McLeod: I just want to be sure I've understood what the plan is. The plan is to wait until those implementation task forces, one by one—not the whole province, but in any given community there will be no shut-down of a bed until the implementation task forces at the community level have made their recommendations and those recommendations are fully funded and operative at the community level?

Mr Helm: Partially right. If a hospital comes forward in the interim with a proposal that they feel they could close certain beds within the HSRC directive, we would have to look at it from a business case point of view to be convinced that it is ready. If there is no task force in place or if the task force is about to be in place, we would really want their input and their view in terms of what the system should be. If that comes in before the task force is in place, we would look at it very stringently because we

are very concerned that the timing is right. So we might defer them. It depends on the information that day.

Mrs McLeod: Will Hamilton be setting up an implementation task force? Is that one of the areas?

Mr Helm: It will have one, yes.

Mrs McLeod: I'm not sure what the bed closure numbers are in Hamilton, but that might be an example where they are ready to move because it's a somewhat different divestment than it is in other communities.

Mr Helm: Hamilton is getting more beds, so they're not closing any.

Mrs McLeod: But the commitment that has been made not to shut down a bed—and you've repeatedly said and the minister has said that that's until the community supports are in place. You've now said at this stage in the process that the responsibility for advising you on the community supports is to be left to the implementation task forces. You've also indicated that the dollars for that community support have to be in place before you close the beds down. I was taking the HSRC's \$76 million. So that means that before we see the shut-down of psychiatric beds, we're going to see up front about \$76 million in community mental health. That's at least what it takes to replace psychiatric beds and, sure, you can then maybe, depending on what your evaluation study says, save some of that down the road. But in the first instance we're going to see an increase of about \$76 million?

Mr King: I think you keep emphasizing the fact that—we do have a plan and we're following through on that plan, which involves local community planning. That's when you have the task force groups appointed to do the local planning, and it does take longer than if we decided what the community supports would be. I think you're highlighting the time frame here. We are working through that process. We would like to see these task forces roll out faster and, as soon as we can, try and get them moving so that they can move quickly locally, but we need to take the time that's necessary to plan for the community. You have basically reinforced what the plan is.

Mrs McLeod: I like the sense of the plan. I share the concern of how long it may take, but I'm also concerned that the dollars are going to be there, because it would be most unusual to have these upfront dollars before the closures are made.

Let me give a specific example, if I've got a few minutes left. One of the things that HSRC did not deal with initially was outpatient services. I'm looking at their reinvestment. You'll have to help me with this. Are "general case management" and "community service support and case management" jargon for outpatient services, or something broader than that, or does it not include them at all? Somebody is shaking their head back there. Is there some line that tells me we're looking at outpatient services in the HSRC's recommendation on community reinvestment?

1440

Mr Helm: We would be looking at outpatient services as part of our restructuring and our reinvestment in terms of allocation. Bed-saving dollars, for example, would be to outpatient services and community services like case management.

Mrs McLeod: I'm just looking at these lines. I know it's not supportive housing, I know it's not ACTT. There's intensive case management, general case management and community services supporting case management. I'm hoping that one of those three lines says "outpatients." I'm hoping it is, because at the time the HSRC made its recommendations in the Lakehead there was no recognition of the fact that there were 1,000 outpatients being dealt with between the two hospitals. There is still no capital provision. In the hospital restructuring that's going on, as the PPHs are to be closed, there has been no provision made for a physical space in which to provide the outpatient services or other community services. The HSRC still recognizes that in the \$76-million figure there's no provision for capital. Where does the capital planning fit in? I know there's an acute care hospital being built in Thunder Bay, they've already finished the completions to the chronic care hospital and there's no space in those places for outpatients. So where are they going to be treated?

Mr King: I'd like to ask Tom Peirce to comment on Thunder Bay because that's part of the divestment.

Mrs McLeod: I don't want to make it specifically Thunder Bay. I think it's a general issue.

Mr King: We have capital as part of all the PPH divestment and we're dealing with them right now on the plans of the divestments and where they're moving within the existing hospitals, or if they're staying on existing sites or if they're building new buildings. That is identified in the psych hospital vote, so those dollars are there for capital.

Mrs McLeod: Maybe mine is an anomaly, because it isn't.

Mr Tom Peirce: My name is Tom Peirce. I'm a consultant with the health reform implementation team and I have been leading the local negotiations in Brockville, Ottawa, Kingston, Hamilton, London and Thunder Bay for the divestment of the PPHs in those communities.

With respect to the transfer of services, the HSRC indicated the capital they felt was required to transfer PPH programs to the receiving hospitals. That funding, as opposed to the general HSRC project funding of 70-30, is being funded at 100% in those communities. Any program being transferred from a provincial psychiatric hospital to a receiving hospital is being funded at 100%.

Mrs McLeod: That's on the bed side.

Mr Peirce: For all the programs that were identified to be transferred, and generally the hospitals are designed with ambulatory space included to handle outpatient volumes. As well, in terms of the savings, what is re-invested in the community may be reinvested in hospitals as traditional hospital outpatient, but some of what is

considered outpatient activity may become community-based activity with community providers.

Mrs McLeod: That's exactly my point, though. I'd be interested in knowing if there are available data in terms of ambulatory space that is being provided for in the hospital restructuring process. I'm certainly aware of the bed provisions but I'm not aware of ambulatory provisions. My sense is that much of it is being left to the community and what we used to call outpatient is now a community-based service. My concern is because I think they were largely left out of the mix and they've been referred now to the community-based planning. Where is that going to take place?

Mr King: Rather than getting into specific details, in all of the local negotiations that are going on, the host hospitals receiving that, with the PPH as well as the ministry team, are planning those resources. The outpatient programs are part of that planning, and if parts of those outpatients are going to the community, that would be part of the planning. That is all part of the local negotiations. We can sit down and be specific about each one, if you want, or off-line we can talk about that. Of all the things that are happening, I think it's fair to say that we have had very good success with the communities that we're dealing with on the PPH divestment and moving to the local public hospital. I think in most cases it has gone very well. I have never heard of this concern raised, that we are not planning for outpatient services. That has not come to my attention. I'm assuming that has been part of the planning, but I'm going to check into that now that you've raised it.

The Chair: Just for clarification, are you behind in your critical path that you've set for this? I'm looking at the critical path that was in the HSRC advice to the minister, and this was supposed to have taken place in March and June of last year.

Mr King: Yes. We are behind somewhat in most of the restructuring projects in the province, and it's mainly due to the fact that some of the goals of the commission were very ambitious. We are somewhat behind, but we are hopeful that most of the PPH movement will occur this fall. We are behind, though, it's fair to say. You have the timelines in front of you. It has been very ambitious, for many reasons, whether it's acquiring land or zoning or whatever. There are many issues involved in this. So we're guilty. We're behind.

Mrs McLeod: Let me assure you, Mr King, I think the ministry has been put in a very difficult position with ambitious timelines that were set by the commission, so I'm not faulting. I'm anxious about the community component.

Mr King: And we hear you.

Mr Patten: Could I have a supplementary?

The Chair: OK.

Mr Patten: It's just on the same issue, the commitment around decommissioning psych hospitals, and then we can go back to Mrs McLeod. It's clear that, around the operational funds that is so, but in certain circumstances—the one I mentioned as a specific today, the

Royal Ottawa—where you've got a huge psych hospital that is going to be closed down, is the value of that, whatever it is, whenever it's assessed, also part to contribute to any capital requirements that may be made as well? In other words, is that resource included in the commitment of decommissioning the transfer of the resource to the new constructs?

Mr King: We have specific formulas in place for all of the movement, whether it's operating costs, overhead costs of the new building, or the new corporation, so to speak, and what will move with them. That's all part of the local negotiations. I don't have the specific—

Mr Patten: Do you know what I mean? Do you understand my question?

Mr King: The question is, if this is how much it costs to run this facility here, will all those dollars be going, as well as the overhead, to run that building?

Mr Patten: No.

Mr King: Excuse me. I'm sorry.

Mr Patten: I'm saying that Brockville Psychiatric Hospital has an operational budget of, let's say, \$1 million.

Mr King: Yes. Got you.

Mr Patten: It also has a huge plant; it also has land that, when that's decommissioned, has some kind of a market value. Is that market value, whatever it is and however it's sold, part of the commitment of the transfer of resources? Is that part of the basket?

Mr King: Now I understand you, but Tom's going to answer that.

Mr Peirce: The resources associated with the exact physical facilities and the sale thereof or decommissioning thereof are not part of this overall equation, because those facilities, on behalf of the government, are run by the Ontario Realty Corp, which handles all the realty holdings of the province.

There will be an operating budget provided to the receiving hospitals to conduct the programs. They will have an interim lease to continue using the facilities they are now in until such time as any capital projects are completed to house beds, for instance in Ottawa, and there will be capital allocations made through basically the HSRC capital fund, through the Ministry of Health capital branch, to build facilities in keeping with HSRC directions.

Mr Patten: That will be separate?

Mr Peirce: Yes.

Mr Patten: Separate from the operational money that's being transferred?

Mr Peirce: Yes.

Mr Patten: Over and above?

Mr Peirce: Again, it's funded at 100%.

The Chair: It's funded at 100%?

Mr Peirce: The approved capital costs associated with PPH program transfer to the public hospital are being funded at 100%.

The Chair: OK. Go ahead.

Mrs McLeod: Where to go next? Let me stay on the issue community supports. I'll leave the outpatient issue

for now. I'm still concerned about it. I'm not sure where it fits, but I'll leave it for now.

1450

Mr King: We do hear you.

Mrs McLeod: One of the things that the implementation task force has been charged with is to ensure that there's community supports in place for the seriously mentally ill—again, the term is being used repeatedly—and for discharged psychiatric patients. I'm concerned about programs that have never been in place in communities, or never been funded or adequately funded, and I'm concerned about whether or not everything is on hold until the implementation task force report comes out.

I will give you a very specific local example: eating disorders clinics. They have not been part of the psychiatric facility. I'm not sure where they fit into your classifications of seriously or severe, but it appears that requests for expansion or for funding are being put on hold because of the restructuring process. That's what we've been told locally. My question is, is that a fact? Are program expansions like that being put on hold until the community restructuring is complete? It's a long time to wait, given the timelines we've been talking about. Or is the ministry open to looking at proposals on a step-by-step basis in the interim?

Mr Helm: Restructuring proposals are not being put on hold pending the task force, because the task forces will be rolling out across the province at different times. While acknowledging they will have a critical role in making recommendations, the ministry really wants to move things along so that we do not miss opportunities. When funding is available for investment in a certain community, ministry staff take the lead in the absence of a task force. Whether it's looking at an eating disorder proposal or a community treatment team or a forensic program, we work with the community to identify where that money should be invested to provide those services. If halfway through that process the task force comes along, we will pass all of our good work to them to finish off. But in the absence of a task force, the ministry takes the lead, so we're not slowing down while waiting for a task force. We want to move business along as quickly as possible but always be ready to hand off the responsibility with the appropriate supports from us to the task force when they're ready.

Mrs McLeod: I appreciate that. Was there a recent expansion of the eating disorders clinic program in Ottawa?

Mr Helm: Yes. In Ottawa and Halton there were recent expansions.

Mr King: And we are specifically reviewing the eating disorders right now, right across the province.

Mrs McLeod: Are we out of time, Mr Chairman?

The Chair: I'm not sure whether the government members still want some time.

Ms Mushinski: Yes. I don't have many more questions, but I do want to return to this area of children's mental health and the reinvestments that occurred as a result of my colleague's excellent report on mental

health. I believe it was called Beyond 2000. That's, of course, Mr Newman's report.

My understanding is that there were some specific announcements of reinvestments made as a result of Mr Newman's report, or in direct response to his mental health review. I'm wondering if we could visit a couple of those, because I'm a little confused about how it works. It gets back to what I was referring to earlier with respect to the delivery that is actually done by Comsoc and how we can start to achieve some consistency of approach in terms of perhaps looking at some integrated services.

There was a \$60-million investment that included \$6.7 million to increase the number of institutional mental health beds, both forensic and acute. My understanding is that some service enhancements pertaining to operational requirements were pending construction and renovation of some Comsoc beds for children's acute mental health needs. Is that correct?

Mr King: That's right.

Ms Mushinski: Can you tell me what the status of that is and how that fits into the overall need for those acute forensic beds? I know Mrs McLeod alluded to those a little earlier. How are they actually being administered? Are they being administered by ComSoc through transfer payments from the ministry? If so, is that consistent with the funding of children's mental health requirements? Is it also consistent with the ministry's targets with respect to moving away from institutionalized care to community-based care?

The reason for my question is because I want to see how it fits with the overall policy direction that you're taking with respect to moving to community-based care. I think it's as relevant for children as it is for adults.

Mr Helm: The \$60-million announcement in June 1998 was in direct response to Mr Newman's work, in terms of implementation. My response is similar to what I touched on earlier: Increasing the capacity of in-patient children's programs is the responsibility of the Ministry of Health, because it's in the hospital setting. When we do that, we work closely with our MCSS counterparts to make sure that the bed numbers and location that we're planning fit in directly with their children's strategy in that region.

Ms Mushinski: I take it that that strategy is fairly consistent with your ministry's strategy about the move from institutionalized care to community-based care.

Mr Helm: Yes. The move from institutional to community is a broad goal in terms of the fiscal funding shift. At the same time, though, in our strategy and with MCSS there is a need that we don't do that totally at the expense of in-patient services. We have service gaps on the in-patient side.

Even though we want to shift the funding formula or funding ratios, we do invest in new in-patient services which, actually, would increase the institutional side, but for very specific cases: children's mental health, forensic and acute. But overall we're spending more, even on the children's side, in the community than we are in the

institutional side in terms of new money. It is consistent with the shift in strategy.

Ms Mushinski: I wonder if you could just explain what the other reinvestments were with respect to Mr Newman's report and how much of that went into the new directions that pertain to the other 1999 report.

Mr Patten: Making It Happen.

Ms Mushinski: Making It Up?

Mr Helm: We made up Making It Happen.

Ms Mushinski: I thought that was a partisan shot, you know that?

Mr Helm: Directly out of Mr Newman's work was the requirement to look at and allocate the \$60 million in reinvestment and to develop Making It Happen was also a direction to outline our strategy.

In the \$60 million from June 1998—I'll quickly go over this—it was a provincial allocation. Every part of the province received base money and, in some cases, one-time funding as well for specific—

Ms Mushinski: So no federal enhancements, I take it?
1500

Mr Helm: No. Within the \$60 million I'll just quickly run through the categories: \$6.7 million was dedicated to institutional care. That means beds. This was forensic and acute beds specifically. Part of our dilemma, in terms of scheduling, is that they can only become operational pending construction and renovation, because they are linked to that, and also planning work with MCSS regarding children's acute care. So \$6.7 million of that was for institutions; \$46.9 million was specific for increased community mental health services in response to community needs and hospital restructuring. This is the beginning where we wanted to ensure that the community supports have the direct link to our psychiatric hospitals so that we wanted community supports that would clearly initiate or expedite the discharge of appropriate people from PPHs into community programs. That was a link. So included here would be assertive community treatment teams, case management, crisis and diversion.

Then we allocated \$5 million in one-time money. This was to help facilitate the capital requirements of the new Centre for Addiction and Mental Health in Toronto. The remaining \$1 million was an education program between long-term care and mental health to ensure that there's a mental health worker in long-term-care facilities to help address mental health service issues that arise.

Those together equal the \$60-million plan. And those are up and running.

Mr Patten: You've got this plan that everybody likes so far to be implemented, but I'm going to ask you, are you folks involved in the pending amendments to the Mental Health Act? It's OK, I want you to.

Mr King: Actually, we also knew that we would probably have some questions on legislation, so we have one of our legal counsel here, Diana Schell.

Mr Patten: One question is that I noticed in your literature, in reference to the what's euphemistically, I guess, commonly called the "community treatment orders"—I wouldn't personally use that term—as an al-

ternative to institutionalization, which is part of one of the themes of advancing the program beforehand, that it's not really addressed here other than the more assertive work of the ACTTs.

Mr King: This is Diana Schell, who is with our legal services branch for mental health services. I'm sure she would be more than happy to answer questions related to the legislation.

Ms Diana Schell: I would be happy to talk a little bit about the legislation with you and also the community treatment order issue. Mr King and Ms Czukar, this morning, referred to the minister's announcement in June 1998 with respect to the next steps in mental health reform and, of course, included the implementation plan making it happen. It included the educational campaign with respect to the current legislation. And the third piece is the review of the Mental Health Act and related legislation.

The review has been ongoing very actively for over a year now. It's primarily a legal review involving an internal working group that I'm part of within the Ministry of Health. It's a broad-ranging review. We're looking at mental health legislation in other Canadian jurisdictions, so the other provinces and territories. We're also looking at Europe, Great Britain, New Zealand, Australia, some states in the United States. I think other important sources of information that you would be familiar with yourself, sir, are inquest recommendations, your own private members' bills. That's part of the review. We have also received a number of submissions from stakeholder groups—the Canadian Mental Health Association, the Schizophrenia Society. We recently got a paper from the Centre for Addiction and Mental Health, which just came across my desk this morning so I haven't read that. There may be others that I'm forgetting to mention. So, that's the nature of the review. For the moment it's internal and it's focusing primarily on legal sources of information.

With respect to the community treatment order issue, I share your concern about using the language "community treatment orders." People probably mean different things by that. Just looking at Canadian jurisdictions that say they have community treatment order legislation, we have Saskatchewan, which since 1995 has had legislation which specifically says "community treatment orders." A couple of years after that, Manitoba came on board with a very different kind of model that they called "community treatment agreements." More recently, late last year, British Columbia proclaimed legislation that it says has community treatment provisions, but they're actually leave-of-absence provisions.

Some of the jurisdictions that we've looked at elsewhere, for example, New Zealand, some of the Australian states, I believe it's 38 states in the United States, have community treatment order legislation which is of interest. It doesn't necessarily look like the Canadian legislation; the models vary significantly. But, given that there seems to be such a focus of attention in other jurisdictions, and it's certainly a focus of attention

here for some groups, this is included in the legislative review.

Mr Patten: Can I have the estimate on the time? When is your estimate of your review completion?

Ms Schell: It's probably going to take some time to complete all of this. I don't have a final timeline on this when it has to be completed.

Mr Patten: I won't take it to mean that that's when the minister will be introducing legislation, by the way.

Ms Schell: It's hard for me to answer your question, sir, because frankly, given the size of the project, if I were working for the Law Reform Commission they would take two or three years to do this. There may be other requirements that have to be met which would cause us to do the best job we can in a shorter time frame. I'm sorry, that's the best answer I can give you.

Mr Patten: Thank you very much. I appreciate that.

Mrs McLeod: I just have a couple of other areas, and I'm not sure if my colleagues have some further questions. Before we leave the legislation, I think there's reference in the auditor's report and the ministry response that with the supportive housing changes and moving the people into the community there may need to be changes to the Homes for Special Care Act. Is that an ongoing consultation as well, and do you see the two pieces of legislation moving forward simultaneously?

Ms Schell: We will have to consider homes-for-special-care issues, but to date, the mental health legislation review project within the ministry has not specifically looked at that piece of legislation.

Ms Czukar: I might just add that in terms of developing the housing policy and housing strategy, if there's a need to change the legislation to implement this strategy when it's finalized as a result of consultation with communities and so on and so forth, if there were to be legislative changes coming forward on another front, then obviously this would be a good time to do it.

Mrs McLeod: Finishing up on my community-based program concerns, is the funding being maintained now for all community outreach programs that the psychiatric hospitals are currently running, for example, vocational rehab programs? That funding is maintained, there's no withdrawal of funding? So when we say no beds will close, we're also saying no programs will close?

Mr Helm: The programs currently funded by the PPHs are staying and being transferred. We, with the Ministry of Community and Social Services, are looking at programs that are being funded under the employment label, cost-shared with the federal government.

Some of our programs within the PPHs are in that category and we're doing a review. Do they need the criteria of the federal-provincial cost-sharing around employment? Our feeling is that they do meet and we don't anticipate any changes in that area, but we're still working with MCSS on that. But the intent is everything that's there now will be transferred over and continue to operate, in the short term anyway.

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Mr King: I should add that the public hospitals that are receiving the divestment are watching those budget lines very closely so that there aren't dollars removed from it. They are very sure to check and balance the system.

Mrs McLeod: If Mr Sturtevant had been here, I might have been tempted to use that as a springboard to talk about rehabilitation more generally, but I won't. I'll save that for another day. I know, Mr King. I could address the question to you.

Mr King: It's a little late in the day to start—

Mrs McLeod: I know there's a big project underway.

The second-last area I wanted to ask you about sort of comes from that last comment, because you mentioned hospitals that are receiving the divestments, and my concern still is on the community care support aspects of this. One of my concerns throughout this process—and I know it was a Ministry of Health concern too; I'm not sure exactly where the whole thing got off the rails—was the whole issue of governance of mental health. I'm extremely concerned that we are divesting to hospitals.

Again, I recognize this will take different forms in different communities. I know it's not an issue, for example, in Hamilton, where essentially the entire thing seems to be being divested to a hospital, including a lot of responsibility for community programs that are already in place, so maybe it will sort itself out there. But certainly in my home community, and I think it's probably fair to say in a lot of communities, we're going to have a presentation of responsibility for the delivery of mental health. Some of it will be to hospitals that are getting the divested programs from the PPHs, but there it's divided.

When it comes to community mental health, I'm not sure that I see anywhere in the system, including Hamilton, a body which is responsible for advocacy for mental health. The hospitals may advocate for their own particular segment that they are mandated to provide care for, it's the community health service system that gets left behind. I'm concerned that there's a fragmentation. It shouldn't be fragmented even if we can identify somebody who's responsible for advocacy for community mental health.

One of the very few things I probably agreed with the commission on was the establishment of community mental health agencies because I saw those as being a body that could represent advocacy—if not governance, at least advocacy—on a community level for mental health. The implementation task force I'm pleased to see in terms of its advisory capacity. If the same thing is happening in other communities as seems to be happening in mine, there will be a lot of confidence around the people being appointed. But I'm worried about what happens when they no longer exist and we're back to, at best, a fragmented system of advocacy or governance and, at worst, no advocacy or governance in the community mental health system at all. I'd just like your response on where you see the future in terms of community-based advocacy and governance.

Mr King: Back to the mental health implementation task force, I believe there will be some recommendations coming forward from those task forces on some of the issues surrounding governance. But we do not have that in the communities now. We have many agencies delivering these services now. I hear what you're saying and I think that's something we have to take under advisement for the future as far as the governance issue related to community programming is concerned.

Mrs McLeod: Is it even possible that the implementation task forces could recommend a third level of governance for mental health and be received favourably?

Mr Helm: We do look to the task forces to take the Making it Happen documents, which are our marching orders in terms of implementation, and theirs. In Making it Happen, we talk about the need for streamlined access, perhaps a lead agency. So we will be looking towards those task forces to do some of that work and make very specific recommendations in their region that program X perhaps should be the lead to coordinate access to the others, to streamline the assessment processes. That is part of their mandate, working very closely with the policy area and also with the regional office and myself. We want to make significant gains in those areas during the life of the task force, to restructure and streamline, so that if a task force does end, there is a legacy of improvement and coordination for outpatient and community programs.

Mrs McLeod: I did notice earlier on you mentioned the important aspect of regionalization as being conveying a sense of integration across the ministries, and one-stop access. I guess my hope would be that that translates in the community into at least integration of mental health itself, if not with other ministries or within the Ministry of Health.

Mr King: We actually expect that there will be recommendations forthcoming on that.

Mrs McLeod: Patient advocacy: Again we have a fragmentation in terms of where the patients are located. I know this is a sensitive issue for somebody from Thunder Bay to raise, but will we have patient advocacy councils for mental health patients in each of the settings in which there are mental health beds, or do they become absorbed into the patient councils of that hospital generally?

Mr King: The provincial office, as you know, will carry on in the first year of operation. We have offered that service to the new centres to see how they want to handle that. They may want to take it on their own after that, but they have to preserve the rights of the mental health patient to be protected, so we have to look at a mechanism for that. At the present time the patient psych advocacy office will remain in place until we start the divestment. We have negotiated that as part of the arrangement with each of them.

Mrs McLeod: But not necessarily the patient councils.

Mr King: No, not necessarily the patient councils.

Mrs McLeod: So the future of patient councils is somewhat in limbo?

Mr Helm: The future of the patient council would really be up to the new hospital.

Mrs McLeod: So they could be absorbed into the overall hospital patient council, if the hospital has one.

Mr Helm: Possibly, or they could have it separate for the mental health side, the same with the community advisory board of the PPHs.

Mr King: Many of those hospitals now have patient advocacy offices also, so they may just assume that role, as well as council.

Mrs McLeod: Patients tend to feel that they're two very separate things.

One last question: Maybe I'll just throw this out and not really expect an answer yet, because I don't think it's a fair question. For future reference, I'm going to be very interested in knowing where mental health fits with primary care reform, because if we're serious about comprehensive primary care, then it has to include mental health both for adults and for children. I think that's beyond the reach at the moment of any of the models that have been contemplated, but I hope it's something that is getting considered in ministry thinking.

Ms Czukar: Having worked on primary care prior to coming into this job a little while ago, I can say that in Hamilton, which is one of the primary care reform implementation sites, there had been in place institutional grants that brought mental health practitioners into health service organizations specifically to link up primary care physicians and mental health resources. That is being continued into the primary care implementation. I think the model is changing somewhat, but there is a recognition that that was a very positive aspect of what was going on in Hamilton and does need to continue in some way. I know that the primary care reform project is looking at that issue. It's not out there; it's being done.

Mr Patten: I just have one question, which may trigger two. You're looking for a group to play a leadership role in different regions around mental health. They may be hospitals, depending on the size of the area. I'm trying to relate it to the other side of the coin, outside of mental health. Governments—and I can remember being part of one—were talking over 14 years ago about community health and prevention and primary care, and it still ain't there. The hospitals still dominate totally. I could give you a formula right now that you would save hundreds of millions of dollars if the government would implement it, and it still hasn't happened.

What makes you think that your model of governance will really work, other than that you do have a mandate

and you're going to perhaps impose the formula, so even if it is a hospital that takes the leadership, they will have to have these programs, and I think you've got a better handle on it? I guess my question is outside the frame of reference today, but in terms of general health care, why aren't you doing the same thing? The same principles of better service apply in that realm as well.

Mr King: I'm not quite sure how to answer that question, other than that I think the ministries are rolling out their offices and integrating their services and working with the communities to hopefully have some voluntary integration. That's where we're moving at this time.

Mr Patten: If you ever want that answer, just call me.

Mr King: Did you say \$100 million?

Mr Patten: More than that.

The Chair: I'd like to raise one issue very quickly, and it's because it's in your business plan. I see that in 1998-99 you established a fraud program within the ministry. Have any results come in on that at all? Perhaps you're not the right people to ask about that.

Mr King: My colleague the assistant deputy minister for health services programs is really responsible for the program, but it has been fairly successful. I don't have statistics on that, but we could certainly get that for you.

The Chair: I have another question. I don't intend to embarrass anybody here, but I reread your speech again just now while we were talking and I noticed, when I added the figures on pages 3 and 4 as to how much has actually been spent in mental health, that the figures don't add up to \$2.4 billion, but to \$2.6 billion. What's the right figure?

Mr King: Actually, it was \$238 million before—it's actually \$2.6 billion because there is \$200 million more that was added in there. We didn't do that just to make it look better today.

The Chair: No, no. I always add the figures up, you see.

Mr King: Sorry. The 1994-95 investment in community health was \$238 million. This year it's \$406 million, and that's why the number was changed. That made the difference of almost \$200 million.

The Chair: Thank you very much. I appreciate that. Anybody else?

I'd like to thank you very much for attending here today and appreciate the answers you've given to the committee.

The hearing is adjourned until whenever we come back in April. We have a very short in camera session, however, to deal with the Andersen report and how you want to handle that.

The committee continued in closed session at 1523.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 5 October 2000

Journal des débats (Hansard)

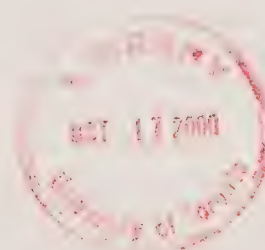
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Committee business

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 5 October 2000

Jeudi 5 octobre 2000

The committee met at 1007 in committee room 1.

COMMITTEE BUSINESS

The Chair (Mr John Gerretsen): I'd like to call the meeting to order. The first thing we'll deal with this morning in open session is a notice of motion. I'd like to call on Ms Martel, who gave us the notice in our last meeting.

Ms Shelley Martel (Nickel Belt): I move that the public accounts committee direct the Provincial Auditor to examine all details of the leasing agreement between Ontario Power Generation, OPG, and Bruce Power Partnership for the Bruce A and B nuclear facilities, to determine if the deal guarantees value for money for Ontario taxpayers, and to report back to the public accounts committee with his findings and recommendations as soon as possible.

The Chair: Would you like to address the motion?

Ms Martel: I would. I hope the committee can bear with me. I have some notes I'd like to go through with people to outline why I think the committee should do this.

First of all I'd like to tell the committee that I'm moving the motion as per sections 16 and 17 of the Audit Act. Under the Audit Act, "At the request of the standing committee on public accounts ... the auditor and any member of the office of the auditor designated by the auditor shall attend at the meetings of the committee ... and the auditor shall examine into and report on any matter referred to him or her in respect of the public accounts committee by a resolution of the committee." Section 17 refers to "special assignments," which this could also be considered as, and it reads as follows: "The auditor shall perform such special assignments as may be required by the assembly, the standing public accounts committee of the assembly, by resolution of the committee, or by a minister of the crown in right of Ontario, but such special assignments shall not take precedence over the other duties of the auditor under this act, and the auditor may decline an assignment by a minister of the crown" if it conflicts with his other duties.

The auditor can tell us whether or not this would conflict with his other duties. I'm going to assume, though, that the auditor would be in a position to undertake the assignment at this time because the work for the audit for the year 2000 should already be complete and

we would have that tabled in the next couple of weeks. So I'm assuming this would not conflict with other work that is ongoing with respect to this committee, but the auditor can advise the committee of his availability.

I am moving this motion because I have my own questions, as energy critic for the NDP, regarding the agreement, but I'm also moving it because the Premier has publicly stated that he is willing to have this deal scrutinized. Two days after the deal was announced, on Friday, July 14 of this year, the Premier received wide media attention because he said that he is confident that his government's deal to lease the Bruce nuclear station in southwestern Ontario to a large British energy company will stand up to public scrutiny. Harris said Thursday he'd be willing to have a legislative committee examine the estimated \$3.1-billion deal with British Energy to run Canada's largest nuclear station.

"I certainly don't object to that," said Harris." It was reported in the North Bay Nugget, the London Free Press and the Globe and Mail, so I assume that is the Premier's position with respect to this important matter.

I have made the referral in the public accounts committee for two reasons: I think that this committee is the appropriate vehicle to deal with the referral because the Provincial Auditor is a servant of all of the members of the assembly. He is independent of ministries, so the review would not be biased either in favour of or against a particular ministry or the government. Second, we all know that the entire work that the auditor does focuses on value-for-money audits, so I feel quite confident that he and his staff could undertake a review of this nature on our behalf.

Before I give you some of my rationale or my reasons for wanting the lease agreement to be reviewed, I just thought it was important that I highlight the magnitude of the deal, because it is very significant. The highlights are as follows:

The lease, as currently signed, would run for 18 years, with an option to extend for another 25. So there would be a significant partnership with Bruce Nuclear and OPG over that time, especially if the deal was extended.

There is an initial payment of \$625 million, which is to be paid out in three instalments. The information I have comes from the release that was put out both by OPG and by Bruce Nuclear at the time and from the release by the Ministry of Energy. I'm using their figures. The initial payment of \$625 million will be paid in three

instalments: \$400 million when the deal closes, which is supposed to be in the summer of 2001; \$112.5 million four years after the closing of the deal; and another \$112.5 million in year six.

Second, there will be six yearly payments, which are referred to as rent payments—rent because the owner still continues to be OPG—to be paid over the term of the lease. The rent is based on a base and variable elements. I will return to that later in terms of the rationale for having this studied now. OPG and Bruce Power estimate that these rent payments will start at \$62 million in the first year after the deal is signed and will increase to \$92 million in year 18.

The third set of payments includes payments for the disposal of spent fuel and waste materials. These are determined based on market price and Bruce Power's energy production, so they are very flexible. There is no guarantee around the level of payment or if a payment would be made.

OPG and Bruce Power estimate that this payment would be about \$90 million in 2002. But anything that I could find in the documents says, because these payments are subject to market price and energy production and tied to those things, there's no guarantee that they would be made in any given year. The level at which they would be made can't be guaranteed either.

Finally, what I think is also very important and one of the reasons I want the deal reviewed, it's OPG which assumes the cost of decommissioning once the lease ends. That means that taxpayers in the province of Ontario are responsible for these decommissioning costs. The OPG in its own work estimated that liability to be about \$3.1 billion at the end of 2018, which is when the lease would end. OPG also said in its note that one half of this cost had already been set aside, but there's no reference to where that fund exists and how much is included in it in reality.

OPG also stated that the proceeds from the lease would cover all of the rest of the costs they would need for decommissioning in the year 2018. So the lease agreement is based on a revenue stream that will cover these costs in 2018, at least according to OPG.

Why do I want this reviewed? There are five reasons.

The Bruce nuclear facility was paid for by the taxpayers of Ontario. It's a significant public investment, and I think the taxpayers deserve to be assured that this lease agreement is getting them value for money. I think the committee needs to know that, or if the province can really guarantee that the revenue it's going to receive from Bruce Power through this lease agreement is at least as much as it would have received if OPG maintained the facility itself. That's a really important thing for us to determine.

What worried me was that at the announcement of this lease agreement, the Minister of Energy could not tell the media how much profit the Bruce complex generates now. If the Minister of Energy could not tell the media how much profit or revenue Bruce generates, how do we know that the lease agreement gives us at least as much

money as Bruce would generate for the taxpayers? We need to know that.

Also, if the minister doesn't know, or if he's just reluctant to discuss the current revenue picture, I'm not sure how the public can have confidence that the agreement is at least as good as what is now in place, which is public ownership by OPG. That's the first and overwhelming reason why I think their deal should be investigated.

Second, it's worth pointing out that the deal is larger than the Highway 407 privatization. Even the government members could agree that within months of the completion of that deal, drivers did experience very significant toll increases. There was just a nightmare with respect to people having late fine payments, having their licence renewals denied etc, and the government did end up stepping in with respect to that.

It's clear that Minister Wilson, in all the documents that I have reviewed both in his release and in the media reports, has publicly stated that this deal will lead to cheaper energy rates. He has made that very clear. OPG president Ron Osborne has also made that very publicly clear in all of the media reports. My view is we should take a lesson from the 407 deal and learn from it. We should have an independent look at this deal before the public is promised these lower energy rates. As such, a deal this big deserves significant independent public scrutiny.

Third, I have a serious concern around the cost of waste disposal and the eventual decommissioning costs of the Bruce and whether the revenue that will come from the lease agreement will cover these. This is a serious issue for the public because we need to assure the public that there will not be a huge unfunded liability that the public will be responsible for when this plant is returned to public hands.

The committee should be concerned by some of the following information then: when the select committee on nuclear affairs sat in 1997, they were told by the former Ontario Hydro that the waste disposal and decommissioning cost in 1996 dollars was \$15 billion. That's for the whole company, for all of the nuclear assets. The Minister of Energy has said that the cost to decommission the Bruce is about \$3 billion. That's the figure he's using. That's the figure that OPG is using in their releases as well. But, if the Bruce facility makes up more than one third of the province's total nuclear capacity, and it does, then the decommissioning costs should run much closer to \$5 billion, not \$3 billion, as the minister has used in his release.

I go back to what Hydro gave the standing committee as information that was requested by the parliamentary assistant at that time, Mrs Johns. Hydro said their cost in 1996 dollars was \$15 billion. The point is that OPG has said in its releases that half of this cost has been set aside and the rest of the money will come from the proceeds of this lease agreement. My concern is that in fact if the liability is much higher, if it's closer to what Hydro said it was in 1996 when it appeared before the select

committee, then we have to guarantee that the lease agreement generates revenue to cover those costs. I'm not convinced it does.

We should have a review of this, because it could be an enormous cost for the taxpayers. Right now the difference is over \$2 billion between what the minister said and what Hydro said to the select committee. What the agreement shows is that the costs that are being covered are only \$1.6 billion, not higher.

Fourth, the fixed yearly payments—those are the rent payments that I referred to earlier—are made up of base costs and variable costs. In terms of the variable costs, one of the elements that's included is a share of the net revenue from the sale of power. One of the things that goes into determining how much Bruce Nuclear will pay OPG is the revenue it gets from the sale of power. In other words, OPG will receive higher rent payments if the price of power stays high. The minister, however, in all of his remarks says that this is going to result in lower energy costs, and so did the president of OPG. There's a discrepancy there between what the minister says will be done and how much money OPG would get from this agreement as a result.

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If there are lower energy costs, then in fact a return to OPG through the lease of the assets is going to be less than was announced when this deal was announced. I think that again raises the question of whether or not the taxpayers are getting value for money through the arrangement. It also reinforces the problem of whether or not the agreement is going to generate enough money to pay for the cost of decommissioning.

Finally, I thought it was important to note that even supporters of Bill 35 and a move to electricity competition have publicly argued in the media that it's difficult to know if—and I'm quoting—"This is a fair deal for the taxpayers," as the minister has claimed, and I wanted to give you two examples.

The first is Arthur Dickinson. He is the president of the Association of Major Power Consumers in Ontario. A day after this agreement was released, he said to the media, "It's difficult to assess the fairness of the price based on the limited information available." He also went on to say—and this was from the *Toronto Star*—that his association has suggested to the minister that an independent committee be set up to advise what is an appropriate price.

Secondly, Jake Brooks is a member of the Independent Power Producers Society of Ontario and he said with respect to the agreement that his members "want to know if British Energy and its partners paid a fair price if others will have to compete with Bruce Power." He also said, "It's very hard to assess that without more information."

Even supporters of the government move to deregulation are concerned about this deal, and have stated publicly there hasn't been enough information. One of them has made it clear that there should be a commission set up to establish the terms and conditions of it. I think

that because these people are all going to be competitors in the Ontario market when it is deregulated sometime next spring, they are going to have to have some assurance that this is not a special deal for Bruce Nuclear which will then jeopardize their position in the marketplace.

In summary, I've tried to list five of the reasons why I think the OPG-Bruce Power lease agreement should be investigated by the Provincial Auditor. Clearly, the auditor will use his own framework with respect to assessing value for money, but it's a starting point. The auditor should at least examine the analysis that was done for OPG by Salomon Smith Barney, their investment banker retained to do this deal, to determine what assumptions were used by Salomon Smith Barney to arrive at the figures that have been arrived at and to conclude on behalf of OPG that this is a good deal for the taxpayers. They were asked to look at a number of things, and I think the auditor should look at those assumptions to know whether the rental agreement, the payments over three years and the payments for decommissioning costs are valid based on what they saw.

So I have some concerns. I've tried to outline those. I'm relying very much on the fact that the Premier made it very clear publicly that he would support a review of this deal. He's been very public about that because he believes it will withstand public scrutiny. I hope it does, but I think we should instruct the auditor to take a look at it because this is the most important and the most financially significant deal that the province has entered into with a public asset. I think committee members need to remember that what we're talking about, even though the partnership is with a private sector company, the asset in question that is being released was paid for by the taxpayers of this province and they need to be assured that we're getting the best deal from that asset.

In conclusion—and I don't know if the government members are going to do this or not—the reason I think this should be reviewed now and not next summer when the deal is signed and concluded is because it will be far too late then. I'll just give you a reference that this committee has dealt with. The Andersen deal was signed, and when the auditor had a chance to go in and take a look at that, we all know, because we all had significant problems with many of the terms and conditions, it took the government well over two and a half years to extricate itself from some of those terms and conditions. I'm not sure that they're even out of it yet, and we'll probably hear back from the auditor because he's been looking at the new deal that has been negotiated. I don't think that anyone, the Premier included, wants to go down that road again.

It seems to me it would be far better for the auditor to take a look at the assumptions that were used, the payments that are going to be made, the agreement as it now stands, because if he can make some findings and some recommendations that would improve the deal, that should be done before it's all over. Next year, when the deal is signed and when Bruce Nuclear has all of its

operating licences in place, it will be far too late to try and undo some of these terms and conditions and there will probably be quite a huge penalty assessed against OPG, hence the province, because we are the sole shareholder, if that deal has to be redone at that time.

The Chair: Any comments?

Mr Bart Maves (Niagara Falls): I'd like to start out by asking the auditor how he feels about this.

Mr Erik Peters: I think in a sense my feelings are not that important. If the committee decides to do a resolution under section 17 of the Audit Act, I have no choice but to proceed. The reading of section 17 provides that only if asked by a minister do I have a certain amount of latitude because I cannot accept an assignment from a minister that interferes with the normal workings of my office.

But there are two assignments that I have to accept. One is if the Legislative Assembly as a whole asked me to do something, and the other one is if this committee, by way of resolution, asked me to do something. It will certainly be a resource consumer of my office, because this is a specialized deal. I would have to probably acquire resources to do the assignment justice, because I don't normally have people on staff who deal with nuclear disposal and decommissioning costs and the many other areas that are involved in this deal, like price elasticity of the energy market, for example, and to assess fairly all the assumptions that were made, for example, by Salomon Smith Barney, as mentioned by Ms Martel.

Those are the two initial comments.

Mr Maves: How often has the Provincial Auditor's office been assigned audits from this committee?

Mr Peters: I can't give you an exact frequency, but normally we have averaged about one or two a year.

Mr Maves: Can you provide us at some point in time with some examples of those?

Mr Peters: I certainly can.

Mr Maves: I'd appreciate that.

I hate to do this, but what was the extent of the conversations that your office has had with Ms Martel prior to today about this motion?

Mr Peters: There was a brief telephone call from the office to notify us that the motion was forthcoming and to get again some background on the Audit Act as to what sections would apply.

The Chair: But have the merits of that situation been discussed—

Mr Peters: No, they have certainly not been.

Mr Maves: First of all, let me just say we've talked about this and don't really have a problem with the auditor auditing the transaction in general and can support the motion. We have a couple of timing concerns, but that's about it.

But one of my concerns in total about this is—and you said one or two a year. I'm surprised by that. Do you have the ability to—I think you've just said you don't, but if we gave you 10 assignments, could you turn them down or would you have to put aside what you were

planning to do and do what the committee has ordered you to do?

Mr Peters: I would certainly have to come forward to you if this causes a—it does say under section 17 that “such assignments shall not take precedence over the other duties of the auditor under this act.” In other words, if the volume should be such that I may have to set aside other audit work, then I probably have two recourses. One is to approach the Board of Internal Economy of the Legislature and say, “Can you provide me with supplementary estimates to deal with the additional resources that are required?” If I am turned down on that assignment, I may have to come back to you and say, “I just don't have the resources to do it.”

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Mr Maves: So you can actually choose what you audit? You can choose to tell the committee you don't want to do something they've instructed you to do because you prefer to do some of the other audits that your office, on its own, has chosen to do?

Mr Peters: Yes, but it would be principally a resource question. Theoretically, if I got into the situation that I cannot do the work that I'm supposed to report on under section 12 of the Audit Act, which lists whether money was properly spent and all these things, then I would have to come back to the committee and outline that I have that difficulty, because presumably it would not be in the interest of my big client, the Legislature, if my work were totally set aside to work for special resolutions of the committee.

Mr Maves: You can always argue the resource question. What I'm trying to get at is what actually takes precedence. You might have five audits that you want to start to do. I'm sure your office is planning well ahead for different things they want to audit. You've got four, five, six things you know that you want to start audits on next year. Then this committee says, “No, here are five or six things that we want you to do next year.” You say, “Well, I can do 10. I can do the five I want to do and the five you want to do, but I need more resources.” If you're told, “No, you don't get any new resources,” what now takes precedence—the five that you're instructed to do by the committee or the five that you choose to do?

Mr Peters: To be quite frank, I would have to do extensive research into that, because the situation simply hasn't arisen.

The other thing that has arisen and I should mention to you is that when I refer to the fact that a minister's assignment I could decline, that is if it conflicts with my other duties. For example, it would prevent a minister from giving me an assignment on the minister's behalf in the hope that I would not be reporting on the findings to the Legislature. That has happened in the past, where I have been approached and I have turned assignments down.

The Chair: You've been approached by a minister?

Mr Peters: I've been approached by a minister to do something. The first thing I always tell a minister under the circumstances is that any findings will not be con-

finied to reporting to the minister, but I will also have a reporting duty to the Legislature, so I will report on that to the Legislature. That has sometimes altered the assignment a little bit.

Largely, it is not ill will; it is simply a situation where a minister was not aware that that was the situation. The incidents I can recall where that happened were minuscule, and I shouldn't overblow it. The ministers in all cases have acted with a very high sense of responsibility and respect for my office.

The other area where I think in the past we have turned down one assignment from the committee, way back when, was simply because we found that the premise of the assignment did not stand up. In other words, the reason it was going to be examined just didn't stand even the first test of scrutiny by my office. In that particular case, the assignment was based on a newspaper article where we couldn't even get at the source to determine what had raised the concern at that particular time. In that circumstance, I have gone back to the committee and said, "Look, I really have problems with this one."

The Chair: How long ago are we talking about?

Mr Peters: This was right in the beginning, when I started.

I think Mr Maves' question was to give you a little bit of a history of the assignments that I've received. In the fullness of the question, I certainly will provide you with a list of the assignments we have conducted, as requested by the committee.

Mr Maves: The other thing is, Chair, can research and/or the Provincial Auditor's office report back about what happens legally if the committee assigned a certain number of assignments that competed with the assignments that the auditor's office wanted to do and the Board of Internal Economy said, "No, you can't have any more resources," and so the auditor had to choose what took precedence?

The Chair: I think the section is quite clear on that. Did I misunderstand that? He has to do his regular work first. If the special assignments interfere, he either can't do them or he has to get special resources. If the special resources aren't made available, he can't do them. That's the way I understood it.

Mr Peters: That's right. It says that these "assignments shall not take precedence." That means that the assignments that I have determined I should do take precedence. So these do not take precedence.

As I said, there are two ways of dealing with it: additional resources or deferring in terms of time—not do it now but do it later, when I can fit it into the schedule. But the act is quite clear.

Mr Maves: You have the authority to decide to audit this contract on your own? The committee doesn't have to tell you to do it; you can decide to audit the contract?

Mr Peters: This particular contract? My act is very prescriptive in this regard. Let me outline to you what I'm referring to. It's subsection 9(3) of my act.

Largely, it arises because Ontario Power Generation is audited by Ernst and Young, an auditor other than my

office. The role would be quite different if I were the auditor of the organization. OPG is a crown-controlled corporation—in other words, 100% of its shares are owned by the government—but the audit is conducted by Ernst and Young.

Subsection 9(3) states: "Where the accounts of a crown-controlled corporation are audited other than by the auditor, the person or persons performing the audit"—meaning that my first approach is to approach the auditor and say, "What do you know about this particular transaction?"—shall provide us with "all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the corporation specified in the request."

They shall provide us—my office—when my office requests it, "a full explanation of work performed, tests and examinations made and the results obtained, and any other information within the knowledge of such person or persons in respect of the corporation." In other words, go to the auditor.

Now comes the important part, and that's in subsection (4): "Where the auditor is of the opinion that any information, explanation or document that is provided, made available or delivered to him or her by the auditor"—that is, the auditor of OPG in this case—"...the auditor may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as the auditor considers necessary."

In other words, say in the course of the statutory audit Ernst and Young have just done sufficient work to form an opinion on the fairness of the financial statements but have done no work on the particular deal that my office has been asked by you to investigate or to check into. In that circumstance, I can go directly into the records of the corporation. Section 9 would allow me that. But as a matter of routine, we have not conducted value-for-money audits of crown corporations or other organizations, with two exceptions that I should explain.

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We did—I forget whether it was last year or the year before—a value-for-money audit of the Liquor Control Board of Ontario, of LCBO, of which we are the auditor, so it doesn't count—

Interjection.

Mr Peters: That's right. Thank you, John. We were the direct auditor. Where I'm the direct auditor, I have full latitude. The only other exception, where there are other auditors and where we do get involved in value-for-money audits, is what is now called the Workplace Safety and Insurance Board, where a while back—I forget the exact year; I would say 1996-97, somewhere in that term—this government brought in legislation that value-for-money audits conducted at WSIB should be done under the direction of my office. We are involved there but through another route, although there are other auditors. Their work is under the direction of my office. That is the only other area at this moment that I can think of where we do such work.

Mr Maves: So there's no precedent, then, for you to audit a contract of a crown corporation, where you've gone in and audited a contract entered into by a crown corporation?

Mr Peters: The only one I'm relating that is close to that is WSIB.

Mr Maves: But it's different.

Mr Peters: Well, one or two a year—if they decided that they would give a value-for-money audit contract to another auditor of a contract, then that would certainly take place under my direction.

Mr Maves: What kind of audit would exist right now from Ernst and Young with regard to this contract? Do you assume that one would exist, or not yet?

Mr Peters: Not specifically, but I should relate something to you that is important. I am sorry I didn't think of it before. My office did do a review of Ontario Hydro in 1983-84 at the request of this committee. So there is precedent for that. We were asked to produce three reports concerning the finances of Ontario Hydro as they relate to the financial situation of the Darlington nuclear generating construction project; of the costs of the major tube replacement program at Pickering A nuclear generating station; and at Ontario Hydro's mothballing and write-off program in heavy water production and fossil fuel generation. That work was at the initiation of the standing committee on public accounts in the fall of 1983, and my office did report.

Mr Maves: In that case, as you read to me from the act before, you went first to the auditors of the company?

Mr Peters: That's right.

Mr Maves: And you received their audit work on that project?

Mr Peters: That's right.

Mr Maves: And from there, if there were concerns you had with their audit, then you would have conducted something more thorough on your own?

Mr Peters: Yes. I consider that a value-for-money from my work provision. Why reinvent the wheel if they already have done some work? Then I just have to push it further. So I have to do incremental work as opposed to starting from scratch, if there's any information available. On this deal, I truly don't know whether, for example, there is a chance that they may have involved their auditors on a special assignment to help them with this particular deal. It was new information to me when Ms Martel referred to an analysis by Salomon Smith Barney.

I don't know what the involvement there is, whether their auditors were involved or what work was there. We would have to certainly investigate. But I assure you, again, that there was no discussion of the work itself. I have not, in the last week, started any look-see, because the commencement of my work is really dependent on you giving me that assignment. Otherwise, I just won't act.

Mr Maves: Has your office ever done an audit of a government contract that wasn't yet signed or had not yet become an official contract?

Mr Peters: At the earlier stage? No, I think for one reason we did not get involved. John Sciarra, my executive assistant, has commentary on that.

Mr John Sciarra: Our office has performed work for the committee in the past on contracts not yet signed. One was the domed stadium, and another one was the sale of UTDC.

Mr Maves: Of which? I'm sorry.

Mr Sciarra: UTDC, the Urban Transportation Development Corp. Those assignments would have been carried out in the mid-1980s, around 1985 or 1986.

Ms Marilyn Mushinski (Scarborough Centre): I'm having some difficulty hearing. What was your last comment?

Mr Sciarra: The office has undertaken two assignments at the request of this committee that involved contracts not yet signed. One was the domed stadium, and the other one was the sale of the Urban Transportation Development Corp. Both of them would have been undertaken around 1985 or 1986.

Ms Mushinski: They were ordered by this committee?

Mr Sciarra: At the instruction of this committee, yes.

The Chair: When you're talking about additional resources, what are we talking about?

Mr Peters: I can't fully answer this right now because I don't know the full extent of the deal. But, for example, if it involves such things as assessing the decommissioning costs, we would probably have to have somebody take a look at that. We have done preliminary work. The reason I'm stating this is that I know that, for example, the General Accounting Office in the United States has declined to give an opinion on the consolidated financial statement of the United States because of uncertainty of the decommissioning costs of nuclear plants already decommissioned by the US government. The initial estimate was that those costs may have exceeded a quarter of a trillion dollars. Those were the ones they had already done. So I would certainly like to get the special advice of people who have expertise in that area. That's one area I can think of where we may want to take a look at this. Other areas would probably be within the purview of our expertise, but the decommissioning costs come to mind as the first area where we probably need extra advice.

Mr Maves: Before, when we talked about assignments given to you from the committee or from a minister, you said you'd have to look and see if you needed extra resources. What type of extra resources do you think you'd need to undertake this audit?

Mr Peters: We can more define it after, but in the one I just mentioned we would probably need some engineering expertise or some people who are experts on decommissioning costs, maybe even go to the Atomic Energy Control Board to see if they can help out as to how they determine the per-kilowatt-hour rate they normally prescribe that nuclear power facilities set aside, expertise like that. They would be acquired under contract.

Mr Maves: Presumably your office is fully stretched on what it is auditing right now and the audits that are being undertaken.

Mr Peters: Yes, but as I pointed out, I would probably use subsection 9(3) and approach the existing auditors. The arrangement we have made in the past is that we would make an arrangement whereby OPG, Ontario Power Generation, may want to participate in the cost of this examination, this audit, because it's in their interests as well.

Mr Maves: So this wouldn't displace any of your staff right now from what they're doing? Would it displace any ongoing audit that you're currently doing?

Mr Peters: At my current staffing level I would have to scramble for resources; let me put it that way.

Mr Maves: OK. If this motion hadn't come forward, or if we don't pass this motion, do you have the authority to review this deal? Can you decide on your own that now you want to go ahead and do a review of this deal?

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Mr Peters: Certainly I do if it becomes of significance. Let me just stray potentially into another area here at, presumably, my own peril. One of the areas that is certainly of great interest to my office is what happened when the government declared itself as owner and controller through shareholdership of the former Ontario Hydro. If you'll recall, at that time there was significant identification of so-called stranded debt. There is a concern, an ongoing concern of my office—there simply has to be—as to what is the risk to the taxpayer as opposed to the risk of the ratepayer in the government taking over this stranded debt. If there are transactions such as this that are of sufficient magnitude that they may influence that risk, we may decide that we would take a closer look at it. I won't close the door to it, but it's not open at this moment.

Mr Maves: You said you've had conversations and concerns already in your office. It sounds like you're intending to do some work in this area.

Mr Peters: I have already signalled that in my 1999 report, in which I specifically asked that a valuation be carried out of the plan of the government to defease the stranded debt. As you know, or you may not know, there is a significant plan that was undertaken which, actually, Hydro One and the Ontario Power Generation company were deemed to be taxable corporations, and so the so-called PILs, payments-in-lieu, came about, which are payments in lieu of taxes, treating those two corporations as if they were taxable. Those amounts are supposed to be defrayed.

There is also a potential coming out of something called a debt restructuring charge, now called the DRC, which has not yet been imposed but will probably have to be imposed on the ratepayers to pay for the stranded debt. Another element, certainly, are any profits that accrue to these corporations out of privatization deals that are going to be struck. That's certainly part of the equation of how this debt is supposed to be defeased. That debt, as you probably know, is significant. It approaches \$20 bil-

lion. So that is an area of interest and we have a watching brief on it.

Mr Maves: This contract, though, in particular, you could choose at some point in time to do a value-for-money on that contract.

Mr Peters: Yes, we could.

The Chair: But only after it's signed, or before it's signed as well?

Mr Peters: There is one difficulty that we always have with contracts before they are signed. That's why actually I would prefer the assignment, in terms of timing, before it is signed only at the instruction of the committee. Otherwise, it may interfere with the independence. Otherwise, I get involved with the contract and there could be an argument made subsequently that, "We acted on advice from the Provincial Auditor and how dare he now report on the audit, that it didn't go this way or that way, to the Legislature?" So I would be involved in—if I opted to do it myself, it would be considered of difficulty in terms of the independence of my office that you rely on as legislators.

Mr Maves: So typically, then, if you did do such a review, you'd do it once it was concluded.

Mr Peters: Yes, most likely.

Mr Richard Patten (Ottawa Centre): May I ask a question? I thought the lease had already been approved. I thought there was a lease arrangement that was approved. Is that not already approved? The licensing hasn't been approved, but I thought the lease deal had been approved.

Mr Maves: My understanding is the agreement is not an agreement until the Ontario Energy Board and the Canadian whatever it's called now—

Mr Patten: The Canadian Nuclear Safety Commission.

Mr Maves: —right—approve it.

Mr Patten: My understanding is they're not looking at the nature of the lease as much as the safety arrangements. I don't know what the energy board is looking at specifically. That was one of my questions. Would they be looking at those sorts of questions that we ask you? It seems to me they probably wouldn't, would they? In the approval of the arrangement, what would the energy board be looking at or considering?

Mr Peters: I don't think I can give you a fulsome answer because I have not looked at the full role, but the normal role, as I understand it, of the energy review board is actually to get into the rate-setting exercise more than any other issue that is before them. They would certainly not look into, to the best of my knowledge, value for money from operations. They may ask questions in their rate-setting process.

The Chair: OK, Ms Martel, just on that issue.

Ms Martel: OPG provided a backgrounder when this package was announced and they have a chronology of the process. It says July 2000: the shareholder, which is the government of Ontario, "grants approval following advice from SuperBuild Corp and its financial advisors, Goldman Sachs and CIBC World Markets." And then it

has after that, "Announcement of the agreement with British Energy." So cabinet has approved this deal as the sole shareholder for OPG.

If this deal is done—

The Chair: Do you want to hand that to the committee? OK. Getting back to Mr Maves—no? Mr Hastings.

Mr John Hastings (Etobicoke North): I'd like to pursue a little more detail and depth of previous audits undertaken at the entry or midpoint of a contract. In the case of SkyDome or the UTDC, how far along had those deals been negotiated before the committee made specific requests that there be an audit undertaken, particularly in the case of SkyDome? Do you recall?

Mr Sciarra: I can speak to the SkyDome one. My recollection of the UTDC—I'd have to go back to our working papers. But with SkyDome, the province of Ontario had committed some money, \$30 million, toward building it. My recollection is that the competition had not taken place as yet at the time the committee requested. The competition to build the SkyDome had not taken place.

Mr Hastings: In the instance of the UTDC?

Mr Sciarra: I'd have to go back to our working papers on timing.

Mr Hastings: Mr Peters, what is the premise or premises that you start on in examining deals, contracts in progress, under negotiation? For example, Ms Martel mentioned, I think in item 3, the value-for-money proposition about the \$2 billion on the decommissioning. Is that a valid premise, that—if this committee did pass this motion, how would you test the validity of the premise in either item 3 or 4 that she presented as rationales for looking at this particular Bruce deal?

Mr Peters: With regard to whether the \$3 billion represents an appropriate proportion of the \$15 billion that was mentioned in 1996 at 1996 dollars, we would certainly take a look at how the \$15 billion was developed and determine from that as to what in fact was factored into that amount for the Bruce nuclear plant. That would be the beginning of it, to give you an example.

With regard to the benefit of looking at a contract that is done, maybe I can make two comments. Normally, our approach is to allow the government to learn from our findings; in other words, to use our findings and recommendation as a constructive input into the way such deals will be structured in the future, to take the elements that we have concerns with into account when future deals are being struck.

The second point in that regard is that certainly the entire Energy Competition Act was introduced in order to privatize. There is a learning curve in place right now about how we best privatize deals, and this seems to be the first big one. I would see a benefit from learning what went right and what went wrong in a contract like this.

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Mr Hastings: Under the Audit Act, you have the power to order all papers, all documents, all data, every-

thing about a contract in negotiation. Is that your interpretation and practice under the act from the previous investigations you've undertaken, audits?

Mr Peters: Yes. Section 10 of my act is very clear. It says, "the auditor shall be given access to all books, accounts, financial records, reports, files and all other papers, things or property belonging to or in use by the ministry, agency of the crown or crown-controlled corporation and necessary to the performance of the duties of the auditor under this act." In other words, I have access to all information that I require to carry out this assignment, should you decide to give it to me.

Mr Hastings: In that instance, given that as it is, what specific additional safeguards are put in place, if any, regarding how those materials are utilized during an audit?

Not having been around here very long but in other—you read about it in the media. We just saw an example not long ago, 24 hours ago, that documents, particularly in sensitive negotiations—I don't know what happened with the UTDC or SkyDome or the Darlington situations—tend to get legs. They tend to have two-legged or four-legged movement sometimes. I'm very interested in what your office or the auditor would do—in this case, Ernst and Young then, because they're the folks who are doing the audits for the power companies. What special provisions would be taken to absolutely ensure—we're not talking about a degree of absolutism, but a 100%-plus absolute assurance—that none of those documents, whatever it is, since your office gets access to them, ends up walking? That's my primary concern.

Where governments are involved in negotiation of commercial contracts—I'm not saying this would happen. I don't know that it has happened in the instance of an audit, but it certainly happens with cabinet documents. If it can happen with a cabinet document, whether it's stamped with however the grade of confidentiality, how do we ensure that you don't have any of that occurring in those situations where your office does get the authority or when even you decide on your own to audit a particular ongoing contract?

Mr Peters: Let me begin by answering that question, and this is not the whole answer. The first one is that I consider the Audit Act a very well balanced piece of legislation in that regard because it says very specifically that I personally, "the assistant auditor and each person employed"—by my office or appointed to assist the auditor for a limited period of time; that is my contractors—"shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this act and shall not communicate any such matters to any person, except as may be required in connection with the administration of this act"—in other words, we can talk to each other about what we saw—"or any proceedings under this act or under the Criminal Code." For example, we had great difficulty because in a civil action records were requested. I actually engaged legal counsel to argue with the judge that this information was not available

from our office because it was a civil matter, not a criminal matter.

Two, all our premises and our working papers are constantly under lock and key at all times. One other important issue is that legally my office is totally exempt from the Freedom of Information and Protection of Privacy Act. In other words, even if a request is made to my office, I turn it down automatically. Nobody will get the information from my office.

Another section that is of importance here is section 19 of my act, under which I cannot even provide working papers if you ordered me to.

Mr Hastings: That is the committee.

Mr Peters: No, the Legislature as a whole even and the committee, anybody connected. Section 19 of my act specifically is very short. It says, "Audit working papers of the office of the auditor shall not be laid before the assembly or any committee of the assembly." So all my physical arrangements and the code of conduct that I've installed in my office, of which I have a very solid one, are designed to safeguard the information at all times. In fact, we go to great lengths to preserve that. In my office, a lot of people are instructed to have locked filing cabinets and all that sort of thing.

Mr Hastings: That's really somewhat reassuring. If you got into an audit, given now that we have widespread e-mail, widespread faxing—it's very convenient—this could happen; I'm not saying it will. What specific provisions would you take with regard to someone, Ernst and Young or whoever the auditor of the crown agency is, needing some info on a particular document and it gets faxed? This could take I don't know how many months. How do you update your protections regarding e-mails? We've seen in other governments what's happening there.

Without mentioning where in the world, certain e-mails are now being subpoenaed in a certain country. Would you not have any e-mail on this whole project, I would assume, between office and office? Would it all be physical basic pigeon-type communications? Would you have to actually move the stuff from A to B if that was required?

Mr Peters: I'm very concerned about security safety. At the moment, my office runs three servers. The server with confidential information is not accessible by the outside. It's only accessible by computers within my office. Staff cannot transfer data out of that server into any other server, because the connection just does not exist.

Mr Hastings: It's a deadbolt-type server.

Mr Peters: It's totally stand-alone. Nobody can get into it. Even my office staff cannot get out of the second-level server which is my own internal server that runs my office. Then there's a third level of server which is where we do connect to at least the government system so we can import information from government departments or my staff can file information from a ministry in that area. That is, again, separated.

There have been incidents of security breaches through hackers and others. Every time that occurs—I think we are running right now about three firewalls even on that system—my information technology staff is aware at all times. For example, we know of viruses a lot longer before other people know and people are instructed, "You can't do this."

Faxing information in and out is fairly well controlled because the fax machines in my office are controlled by my staff, and my staff is, again, bound by these rules. As long as I've been Provincial Auditor, we've had one situation where somebody decided to misuse that information, and we took very swift action. That person was dismissed.

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Mr Hastings: I would assume in these instances you have a standby protocol you've established with the external auditor, whoever it might be, whatever agency, if you or your office undertook a specific, comprehensive, independent audit and came back to the committee, whether it be this or any other.

Mr Peters: Very much so. We would immediately meet with a firm and establish that protocol. We have two levels of protocol; one is a protocol that exists for audits that are under my direction, where the other auditor does the work. Then there is also a protocol where, in certain circumstances, private sector firms have a contract to conduct audits as an agent on behalf of my office. When they act in this agency capacity, there again is a protocol as to how we deal with it.

Much of that is also regulated by the regulations set out in the handbook for chartered accountants by the Canadian Institute of Chartered Accountants, which requires certain protocols and procedures to safeguard the independence and reliability of the work.

Mr Hastings: It sounds, then, like we've pretty well covered most or all of the bases for confidentiality in this kind of a situation. This might be a little unfair and you may not want to answer it: because of these levels of protocols and the extensive safeguards you have in place, do you think these standards could be utilized by any level of government, even if they weren't doing anything with an outside commercial agency, negotiating any kind of a contract, buying fertilizer or a roads contract or anything? Would it be good stuff that you could pass along?

Mr Peters: Yes. In fact, it is certainly on my platter to do a security audit of information technology in the government. We just haven't got around to it. But that would be one vehicle that I could use of sharing standards and information. Otherwise, we certainly assist ministries, wherever we can, where we find difficulties. Even if we look into other areas, information technology is always a component of our audit.

For example, recalling back, I think we reported it on one major system where we found that there was a lax approach to passwords, failure to identify individuals who had actually accessed data. That becomes a reportable item. It may not reach this committee level,

but, as you know, we try as best we can to be of service to the ministries. So there are certain items that will be dealt with at the management level, because for every report that you get there is also what is called a final draft report to the deputy minister, and that very often has items in it that I don't think are worth your time to debate but certainly are worth the deputy minister's time. I normally get very good, solid commitment from the deputy minister and the senior management of the ministry or the auditee to implement those. Sometimes they are so serious that we insist on fixing it right now. It's actually nice to have that lever, "I'll report to the Legislature if you don't," if you think this thing is very serious and has to be fixed now, and it gets fixed.

Mrs Julia Munro (York North): My question goes back to an earlier comment a few minutes ago with regard to the mandate of the Ontario Energy Board. My understanding was that there had to be certain criteria met in any arrangement that the Ontario Energy Board was to approve. There was a conversation a few moments ago about the possible limits of that approval. I just wondered whether or not you could give us any ideas, from your perspective, in terms of the limits of their approval.

Mr Peters: Offhand, I really can't. I think the only thing I can do at this point is really emphasize to you the different roles that we play. The energy board is, essentially, a rate regulator that is to serve and protect the energy-electricity ratepayer, as well as the continuation of the energy provider as a viable energy resource to the province. My role is, as you know, a totally different one, as the auditor.

So I don't think they would be particularly interested in getting into value-for-money issues, leaving that for the management to decide, but they would be, rather, in the business of setting parameters within which they can operate; in other words, providing a rate of return or setting a rate for electricity and then leaving it up to management how they achieve viability within those rate-setting parameters.

Mrs Munro: Would you think, then, given the nature of this arrangement for approval, that they would have to expand it in order to meet their obligations? I guess the normal course of business would be municipalities and consortiums and things like that. This issue is of a considerably greater magnitude. I'm just wondering if it would be reasonable to assume that they would have to look at this from the point of view of that increased magnitude. Would you see them having that kind of ability within that mandate that they have?

Mr Peters: I don't think so, and maybe, John, you can check me up on this one. To the best of my knowledge, when Ontario Hydro was broken up under the restructuring, there was only one organization left in there that is subject to review by the energy board, and that is Hydro One. I don't think OPG is a rate-regulated entity.

Mr Sciarra: We'd have to check the new legislation that provides new powers for the Ontario Energy Board.

We don't have it handy right now, but we can get back to the committee.

Mr Peters: My instinct, though, is that OPG is not rate-regulated, because it is a vendor within the system. The energy review board would regulate the rate that the consumer of electricity pays, but OPG actually sells its energy to Hydro One, and then Hydro One is the rate regulator, because they have to deal with how they sell it to the final consumer, in this case the municipalities, and the municipalities are rate-regulated as well. The power generator is, to the best of my knowledge, not regulated, but that's subject to verification.

Mrs Munro: My point was simply that, given the fact that this was the root that was identified as the area that would have the ability to pass on some level of approval, there must be within their mandate something that would allow them to look at this, given its magnitude.

Mr Peters: That's what I would have to verify. My answer to that is really that my instinct is that they wouldn't get involved, because OPG is not under their purview.

Mr Patten: I'd like to support the motion. I appreciate the concerns that were brought up on the other side. The committee does not have a history of irresponsibly bringing forward, year after year, a whole series of these. I think the last one was probably about 10 years ago.

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But I think, given the magnitude and the importance—I have a copy of the application of the Bruce power generating corporation to the Canadian Nuclear Safety Commission. I understand that their standards are pretty stringent, but they would be looking at the safety aspects. If anybody wants a copy of that, they can have it. Their application was essentially based on the taking over of the operations from—what is it?

Ms Martel: OPG.

Mr Patten: OPG. Therefore they are making the case that this should almost, pro forma, be accepted. I don't think that's going to happen. I think there will be more of a review, so I'm not worried about that aspect.

I had asked this question, and we don't have a definitive answer, but I don't think the Ontario Power Corporation likewise will be reviewing the nature of the lease and the significant implications for down-the-road arrangements for decommissioning, which may end up on the taxpayers' laps.

One of the arguments is that there is a learning curve in this instance that may benefit us as we get into it, and given that the Premier said he's supportive of having this examined, I for one would be happy to support the motion.

The Chair: Any further comments?

Ms Mushinski: Actually, I did have a few questions. I'd like to revisit the 1985 committee request for the sale of UTDC and SkyDome. Could you just very, very briefly describe what the process was that led up to that review and what the outcome of the review was? I'm assuming that the sale of both of those provincial—

Mr Sciarra: The SkyDome was to build the facility. It wasn't the sale.

Ms Mushinski: Oh, it was to build; it wasn't to divest.

Mr Sciarra: That's right.

Ms Mushinski: In 1985?

Mr Sciarra: Yes. That's when it started.

Ms Mushinski: UTDC?

Mr Sciarra: I think it was 1986; 1985 or 1986.

Ms Mushinski: Tell me what you recommended.

Mr Sciarra: With the UTDC, I'd have to go back to our working papers; the timing is fuzzy. But with SkyDome, my recollection is that the province committed to invest \$30 million and there was a consortium set up as well to participate in the building of the facility. The committee in 1985 passed a motion instructing the Provincial Auditor to review the financing of the building of SkyDome. Then we reported to the committee—

Ms Mushinski: But what was the intent? Was it to determine value for money? I'm trying to figure out what the political intent was. Was it to stop any divestment? Was it to stop the sale of UTDC?

Mr Sciarra: There were political concerns, I suppose, but from our perspective—

Ms Mushinski: You don't venture into those, of course.

Mr Sciarra: —we looked at the financing arrangements that were in place at that time and what was being contemplated to get to the point of building. We reported to the committee, and it was mainly a financing report.

Ms Mushinski: I would appreciate a review of that and if you could just come back with your findings. I'd like to know what actions were taken. Clearly, we want to know today if this deal that has been struck actually is going to provide value for money.

I guess it leads to my next question with respect to, I suppose, the status of the deal. The deal has to be approved through the issuance of a licence by the federal body, which is—

Mr Patten: The Canadian Nuclear Safety Commission.

Ms Mushinski: I'd appreciate receiving a copy of that too, Richard.

Mr Patten: Sure.

Ms Mushinski: Are you aware of what the requirement for due diligence is between the federal body, which is the Canadian Nuclear Safety Commission, and the Ontario Energy Board receiving the licence? What's the requirement? Is there an audit of that function—the issuance of the licence?

Mr Peters: The audit of the safety function or the audit of the regulator itself?

Ms Mushinski: Obviously there's not going to be an audit of the Canadian Nuclear Safety Commission, because the Ontario Energy Board is making the application. The due diligence component, which deals with health, safety, security and environmental protection—and clearly my reading of Shelley's motion would include those four aspects as well. What due diligence is

performed to ensure that those four functions are satisfied in issuing the licence?

Mr Peters: I assume it would follow the process under any licensing arrangement. In other words, the licence grantor spells out the licensing conditions, and there have to be presentations by the organizations that want to have licences to make application and support, if you will, what is actually a promise of performance to those licensing conditions.

Most licensing bodies do have a review or investigation function to subsequently check, in cases where they detect a breach of the licence—and that actually happens in many areas. They also do it by giving term licences; in other words, saying, "Three years from now you have to come forward and say what you did before we renew you again." Those are the normal processes that follow.

The process of my office's involvement in those areas is very often to follow, to track through if they are actually doing the job; for example, that they are renewing licences and are doing the necessary work to determine whether they actually can renew a licence or should stop it.

Ms Mushinski: This sort of led to my concern about the timing, because if certain aspects of Shelley's motion are actually going to be conducted as a result of the issuance of the licence and the licence hasn't been issued because those have to be fulfilled, how can you determine at this stage what a value-for-money audit would do until the licence itself has been issued?

Mr Peters: At this stage, we would probably have to rely on the process itself, but certainly we would have to take a look at the promises of performance that are demanded by these licences, and some assessment would be done. For example, what if one of the licensing bodies decides not to grant a licence? Is that part of the condition of the contract? Does it undo the contract? Which part of the contract does it undo? What are the remedies? What penalty clauses are put into this agreement on behalf of the taxpayer to safeguard that the deal is proper? That would certainly be one of the questions—

Ms Mushinski: OK. Let's pursue that a little further. Who would be responsible for that, given that the minister has undertaken this arrangement? If the federal government refused to issue the licence because certain aspects of that arrangement have not been fulfilled, whose responsibility is it to carry out the minister's order?

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Mr Peters: That would most likely rest in the contractual arrangement they have entered into. For example, I just noticed that the Electricity Act, section 53, says, "The Generation Corporation and the Services Corporation," which is Hydro One, "shall submit such other reports and information to the Minister of Energy, Science and Technology or the Minister of Finance as each of those ministers may require from time to time." So we certainly would look, to begin with, for reports to the minister that say, "These are the 'what-if' scenarios."

Ms Mushinski: So, again, it can be argued that this motion is premature, given that the licence has not yet been issued and because we don't know if all of the aspects leading up to the issuance of the licence have actually been fulfilled or met.

Mr Peters: In one sense, not really. On all these arrangements, what we would be looking for, from a value-for-money point of view, is that there are sufficient safeguards in the contractual arrangement to deal with that eventuality. Our report in this case would be, if there are no safeguards—in other words, assume for a moment, which I doubt very much we will find, but just totally hypothetically, that there is no provision for penalty clauses in case one of those licences is not granted. Certainly we would have to report that to you. That would be part of our report, because that would be a deficiency of the contract.

So it wouldn't be depending, necessarily, on whether the licence would be granted, but we would comment already that there was insufficient care given or attention paid to "what-if" scenarios if licences are not granted. I think that would be valuable advice to the Legislature.

Ms Mushinski: I think we need to caucus on this for a few minutes. Could we take about a 15-minute break?

The Chair: OK. May I just hear one, and then I'll get back to your motion.

Ms Martel: Before the government side does that, may I try to respond to some of the concerns that were raised, and hope this might help their deliberations?

Interjection.

The Chair: I thought we'd just listen to Ms Martel to address some of the concerns and then, sure, we can recess for a few minutes. Absolutely.

Mr Peters: Chair, to help the committee, and I think it may help you, may I just add that since I've been Provincial Auditor there was one contract we did audit, and that was the construction contract of the Workers' Compensation Board building on Front Street.

Ms Mushinski: I'm assuming that the information is going to be coming back for further consideration next week. It would be really nice to see a report on that particular—

Mr Peters: That was a value-for-money one. I can gladly table that. That was tabled in 1993 or 1994.

The Chair: Can we have that before our meeting next Thursday? Could we have copies of that, let's say, by Tuesday so the committee members can take a look at it beforehand?

Mr Peters: Absolutely.

Ms Martel: A couple of things. The premise on which this was moved was two things, really: first, the magnitude of the deal. All things being equal, the minister has said it's about \$3.1 billion. The asset itself is worth a significant amount of money, even if some of the reactors are down. So the issue for me continues to be, does the agreement, ie, a 20-year lease, reflect the best we can get from this partner, or is it about the same or less than the revenue that OPG itself would generate if it continued to run it? That is what's at the heart of this for me.

It's a huge deal. Clearly, Bruce Nuclear stands to gain. Clearly, they are giving proceeds back to the province. The issue is, they are using a public asset, and does the deal reflect the best revenue we can get from the use of that asset by them over the next 20 years? I think that's significant, because the money involved here is very significant. It's the biggest deal that has ever been done in the province.

Second, I take the Premier at his word when he says he's confident that the deal would face up to public scrutiny. The reason I referred it to this committee rather than trying to get the standing committee on nuclear affairs reconstituted was because the auditor does this work already as part of his work. Yes, it's clear he would have to have additional resources because there's some expertise his office doesn't have. But his work is value for money. Whether we sometimes like his recommendations or not, I don't think anyone could argue that he is partisan in any way. For me, it would be the most independent forum we could get to look at the terms and conditions and whether or not it's good for the taxpayers.

The need for additional resources: if this went to another legislative committee, we would have to ask for additional resources as well. Even the select committee, when it sat and did this work, had to contract or purchase the services of a number of experts to provide them information and to check some of the information that came from OPG. I don't think that is out of line with what would have to be done anyway in another committee. If the auditor has to do that, so would another committee that was looking at this, because we don't have the expertise in-house to do this work.

We heard already that contracts have been looked at before they have been signed; references were made to that. In this case, when I read the package, given that cabinet has given its approval for the financial deal and that cabinet is the sole shareholder, I believe that to mean that the financial transaction is set, is in place.

What remains is that the new company that wishes to operate the reactor now has to go and get the approvals with respect to safety, staffing, the configuration of staffing etc from the federal agencies and then from the province, approval on what the electricity rate will be at which it will sell into the market, because that is what OEB has been doing, for example, with any number of municipal electrical organizations that have come before them recently.

The financial deal in terms of what Ontario gets has been signed and is not—as I didn't read anywhere in the document—subject to the other permits and licences that this company has to get in order to operate. Those licences and permits have to do with safety performance, staffing etc. We should clearly make that distinction. What I'm asking the auditor to look at is the financial transaction itself. What are we getting back in terms of revenue from this deal? What has been agreed to?

Bart asked whether or not his office might do this, and the auditor said, "Well, the issue of stranded debt continues to be a concern." It's a concern even in this deal. I

didn't raise it, but some of the people I mentioned who are proponents of the deregulated market also made it very clear that they thought stranded debt and payment of it should be a component of this deal. I didn't raise that as something he could look at, but clearly others have. There is some argument to be made, given his concerns that he already has around that issue, that could be easily rolled into an examination of this agreement, because it has been referenced as a concern by other people as part and parcel of this agreement. I can provide the references to the committee if they need that.

With respect to issues 3 and 4, particularly the decommissioning, it's important to raise again that my concern is that we know a part of the money that comes from this deal will be applied to decommissioning costs. My question is twofold. Have the decommissioning costs been underrated and therefore we will receive less money than we need to from this arrangement to meet those costs? If that's the case, we need to know that. Maybe \$3 billion is in actual fact what is necessary to deal for the Bruce, in which case we hope the money that will come back from the lease agreement will meet those costs.

The decommissioning costs are an important component of this deal and important to investigate, because we need to know whether enough revenue is coming back to the province from Bruce nuclear to pay for those costs. If not, the public is going to end up with a huge bill 20 years from now, or 18 years from now, if this is turned back to public hands.

Finally, I just reiterate that we're talking about a huge amount of money here. If the Premier is prepared to have it scrutinized, we should do it. We don't know the assumptions that were made by Salomon Smith Barney, who were retained by OPG to do the work. I hope those assumptions are correct. If they're not, we'd rather know that now and deal with that now before this contract really gets rolling and before we find, if we do, that the arrangement does not benefit the taxpayers. We want to know that before rather than 10 years down the road from now.

The Chair: Do we want to recess?

Ms Mushinski: I thought Shelley was actually going to speak to our request for a 15-minute recess. We'd like to come back before 12.

The Chair: I was going to say, if you want more than 10 minutes, then we should adjourn and deal with it next week. If you only need 10 minutes, then we'll deal with this right away; we'll deal with it today.

Interjection: I would move adjournment.

Mr Maves: If it's going to be more than 20 minutes, I'm of that mind too.

The Chair: Is there an agreement then to defer the motion until next week? Agreed.

Mr Maves: Before we adjourn, maybe Ray and the auditor can revisit all the requests that have been made for extra information for next week just so we're clear on what we're getting.

Mr Peters: I understand we've only one, and that is what audits have we conducted.

The Chair: And what the outcomes were with respect to the SkyDome and the UTDC deal and the workers' compensation. What was it you specifically requested of Ray?

Mr Ray McLellan: I was going to say that in addition—John had mentioned the initial review of SkyDome; I think it was 1984-85—the committee came back in the late 1980s, I think it was 1988, when they started to run into financial troubles, and we looked at it again. My recollection, going back a number of years, is that we didn't report on it, but we went through a second review and spent some time on it. I'll go back and have a look at the files to see what came out of that.

The Chair: If that information could—

Mr Maves: I think that more information was actually requested throughout this two hours. Can we get a rush on Hansard so we can go back and review it?

Ms Martel: Chair, so we're all clear, could you also find out what exactly the OEB would be doing with respect to this?

Mr Maves: Can we get a rush on Hansard to help me remember what was requested?

The Chair: We'll put in a request and hopefully that will be done.

Our first order of business next week will be to deal with this motion and, after that, to deal with the FRO. The MTO report will be ready then as well. Meeting adjourned.

The committee adjourned at 1143.

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Mrs Julia Munro (York North / -Nord PC)

Ms Marilyn Mushinski (Scarborough Centre / -Centre PC)

Mr Richard Patten (Ottawa Centre / -Centre L)

Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor

Mr John Sciarra, executive assistant
to the Provincial Auditor

Clerk / Greffière

Ms Tonia Grannum

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Mr Ray McLellan, research officer,
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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 12 October 2000

Journal des débats (Hansard)

Jeudi 12 octobre 2000

**Standing committee on
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Committee business

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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 12 October 2000

Jeudi 12 octobre 2000

The committee met at 1004 in committee room 1.

COMMITTEE BUSINESS

The Chair (Mr John Gerretsen): I'd like to call the meeting to order, please. First of all, I'd like to compliment the staff for providing us with all the necessary background information as quickly as they did. We appreciate the speed with which that was done.

We're currently dealing with the motion that was brought forward by Ms Martel, and the auditor wanted to make a few comments with respect to some of the questions that were raised last week.

Mr Erik Peters: There was a whole raft of questions, as you will remember, raised in the meeting and you probably have quite a package in front of you, which resulted from those questions that were given.

Mr Maves asked about the frequency of special assignments requested by the committee. I had said at that stage that I could not give an exact frequency but that normally we have averaged about one or two a year. In fact my office has handled a total of seven special assignments from this committee since I've become the Provincial Auditor.

The Chair: That's about one per year, then.

Mr Peters: Yes, on average. One year it was three and then there were other years where we had none. You have the reports and I will point out to you some of the more relevant ones in the process.

Mr Maves also asked us to provide the committee at some point in time with examples of past assignments, and we have prepared a listing of the special assignments performed by the office for this committee pursuant to section 17 of the Audit Act covering the period from 1985 to 1999. I believe the clerk has distributed those to you.

Mr Maves also asked what would happen legally if the committee assigned a certain number of assignments that competed with assignments my office wanted to do and had selected actually, based on risk assessment, to do. I responded that the act says such special assignments shall not take precedence. If I may elaborate on that for just a moment, resourcing is, as I mentioned to you, always a consideration for my office. Up to now we have been able to respond to the committee's requests without causing disruption of our audit plan.

What we foresee with this assignment is that we would like to acquire some expert assistance in carrying out the work required by this motion. In this regard, relevant is section 23 of the Audit Act, which I would like to read into the record:

"Subject to the approval of the board"—of internal economy—"the auditor from time to time may appoint one or more persons having technical or special knowledge of any kind to assist the auditor for a limited period of time or in respect of a particular matter and the money required for the purposes of this section shall be charged to and paid out of the consolidated revenue fund."

In other words, the point is that this money does not increase my budget. I go forward with the estimate to the Board of Internal Economy. They give me money. For this money I have to get special approval, but when it comes through it's charged, if you will, below the line as a statutory item against the consolidated revenue fund. It's a small technical difference, but I have to point it out to you. The only other area incidentally that is in that section is my salary. So it would be a non-budgetary transaction.

However, if the board should not approve the extra resources required for expert assistance, then I would simply advise the committee of the board's decision and we would attempt to carry out the assignment as current resources permit. That would be my reaction to your motion.

There was also some question that dealt with whether my office had ever done an audit of a government contract that was not yet signed or had not yet been completed and was in the process of being worked on. In this regard, we identified to the committee the following three special assignments: (1) the financing arrangement for the construction of the domed stadium; (2) the Wood Gundy evaluation of the Urban Transportation Development Corp Ltd; and (3) the audit of the Workers' Compensation Board's new headquarters. In some of these cases, the contracts were not yet signed. I believe that in the domed stadium the RFPs were about to go out, the requests for proposal.

Interjection: They had gone out.

Mr Peters: They had gone out at that stage, but the contracts had not been let. Wood Gundy—the valuation was there. In the audit of the Workers' Compensation Board's new headquarters, the contract had been signed, but the work had barely commenced at that stage.

Furthermore, we had a correction from Ms Mushinski concerning the domed stadium and the UTDC's special reports. We have sent you, in response to that question, the deliberations that were made by the committee at that time, the summaries of the issues that the committee was facing at that particular time and the process that actually led up to this special assignment.

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With respect to the mandate of the Ontario Energy Board in connection with the operations of the OPG and the proposed leasing arrangement that is subject to the motion before the committee, from our reading of the Ontario Energy Board Act, the OEB's interest is strictly from the licensing aspect. Specifically, section 57(c) of the OEB act provides as follows:

"No person shall, unless licensed to under this part,

"(c) generate under this part, electricity or provide ancillary services for sale through the IMO"—which is another part of the broken-up Hydro—"administered markets or directly to another person."

A licence is required for them to generate the electricity.

In discussion with the secretary of the Ontario Energy Board, my office was informed that on September 18, 2000, this prospective lessee submitted an application to the OEB for issuance of a licence that would authorize it to generate electricity. So an application to receive a licence was received on September 18.

This concludes my opening remarks.

The Chair: Thank you.

Mr Bart Maves (Niagara Falls): Can you expand on that? What does that mean? They can't operate a facility until they have a licence?

Mr Peters: That's right; exactly what you're saying, they cannot operate the facility unless they are licensed to do so by the OEB.

Mr Maves: So unless they have a licence, they also can't close a deal to—

Mr Peters: I'm not sure how that was written into the contract, but I would expect in a normal contract that provision is made for the obtaining of a licence.

The Chair: Comments by anyone?

Mr Ray McLellan: Further to Mr Peters's points on the licensing, we had talked about the licensing under the Canadian Nuclear Safety Commission. Currently, there's a licence for the Bruce. British Energy has requested and submitted an application July 31 for a licence for operating under its authority. It will take about four to five months for that review to be complete, so by December 2000 the Canadian Nuclear Safety Commission should issue its licence, and that licence would cover safeguards, environmental protections, design and operational components. Currently, there is obviously a licence there for the operation of a facility under the province, but this new licence will be issued to British Energy by December of this year.

It's what they refer to as class 1 operations, and I've got the documentation here on exactly what a class 1 licence would cover. As I said, it's preparation of the site,

licence to construct, to operate, to decommission, to abandon, and that covers the application. Then there's a certification of persons and then two, three or four sections dealing with that—if anybody's interested in exactly what that licence would look like.

Mr Maves: Mr Peters talked about his office already having looked at the prospective of this assignment and decided they would probably need to hire some outside expertise. Last week you said that if you got this assignment, the first step would be to contact—I think it was Ernst and Young who you said were OPG's auditors.

Mr Peters: Yes.

Mr Maves: You would request work they had done on this project and review that, and if you thought you needed to do further investigation upon reviewing that, then you would do so. Would you hire a person prior to reviewing what you received from Ernst and Young or do you think you'd make that decision after reviewing what you received from Ernst and Young?

Mr Peters: No, I would do that after, because what I outlined to you are the specific steps that are required that my office takes in accordance with the Audit Act.

Section 9 prescribes that I must first contact the auditors of the organization to assess what information they have so that we don't end up with a duplication of any work. It's only when we then determine that further work has to be done that we would require access ourselves to the OPG information, and once we reach that stage, I would need probably expert advice, particularly in the area that I pointed out to you, which is to assess the decommissioning liability that was referred to and the reasoning.

Mr Maves: In line with that question, I think I am prepared to go along with the motion, as I said last week, with one concern, that being the exception of timing. But in that motion, it seemed to me very specific that the request was for you to look for value for money achieved by that leasing agreement.

Throughout the day we began to talk about a whole variety of issues, and I think the scope that Ms Martel started to add to the motion in her comments makes me a little leery. If you already, in looking at the prospect of doing this audit, taking on this assignment, have thought you may need extra staff, that means you've already thought about what scope this audit would take on. Could you tell the committee what scope you think this assignment would actually take on? and how far-reaching do you think this motion asks you to go?

Mr Peters: What I've reacted to were actually the five principal reasons advanced by Ms Martel for why she thought it would be a good idea for us to conduct the audit. When I looked at those reasons, I determined that one of them was certainly to determine whether the overall liability for decommissioning, which has been stated as \$15 billion, was properly considered in this particular arrangement because of the numbers that were in there. I went strictly by that reason that was provided. These reasons that were provided and read into the record would certainly become part of the criteria we would use

against which to judge the audit. We would then proceed to develop our own, of course, in this.

However, your question, if I may expand for just a moment: in the motion itself there's the word used to determine if the deal "guarantees" value for money. That is a fairly tough order. In order to be practical, I would possibly suggest to determine if the deal "provides" value for money, which would be a better wording, because if something guarantees to do something, it develops a totally different mindset from whether it just provides. I would think, to answer your question as to scope, that we would prefer the word "provide" in the circumstance, but I believe it is sufficiently narrow inasmuch as it speaks strictly to the leasing arrangement. I think that pretty well circumscribes the transaction.

Mr Maves: I think, Chair, before we take any vote on this, I'd like to be comfortable on exactly what the audit will entail. I don't want to get into—

The Chair: We're having copies of the motion made, because I know there was an awful lot of discussion last week and maybe people have sort of lost sight of what the actual motion is. I guess they're coming. The motion is only a three or four pages.

Mr Maves: To me the motion sounds fairly straightforward and somewhat narrow. We should go and look at the leasing agreement between OPG and the Bruce Power partnership. But as the day wore on you talked about trying to determine the decommissioning costs and a whole bunch of other issues that would roll into this, and that raised a red flag with me that this could become—I want to know the scope of the audit. I want to know that it's going to be narrow and capped to that leasing arrangement. I don't want you guys to be doing international research on decommissioning costs and getting all kinds of opinions about the value of this asset and the value of that asset, and making judgments about different ownership models and so on and so forth. This is what I got worried about as the conversation wore on last week.

1020

Mr Peters: Mr Chair, may I respond to this?

The Chair: Sure, please.

Mr Peters: There is one practice that has been done in the past that you may wish to discuss. I forget in which year, but there was a motion before this committee that we should take a look at how the Toronto Area Transportation Operating Authority was dealing with budget cuts, and whether they were properly instituted and what the impact was on the schedule at that time. As the discussion went on and the scope was broadened, the committee as such made a decision actually to hear from TATO directly, to have just one hearing from them, to have an idea as to what the lay of the land was, and to raise some of the questions—which also helped my office to more clearly frame the terms of reference for the particular audit. So that would also be an option. If you wanted to narrow it or do it more, now that the province is the owner and shareholder of OPG, it would certainly be within the purview to ask them a few questions before

we determine the full extent of the audit. There's precedent; that's all I'm putting on the table.

The Chair: Mr Hastings and then Ms Martel.

Mr John Hastings (Etobicoke North): Mr Peters, my question, like Mr Maves's, relates to the scope of this scrutiny. In your estimation, would it include a re-examination of the assumptions of value that Goldman Sachs, CIBC World Markets and the Salomon brothers placed on it when they made their examination of this situation? Do you see that in the original assumptions included in the leasing agreement? If you don't, it seems to me they're inextricably interwoven to a great extent and that you'd have to include those assumptions in the value those three firms placed on this transaction to start with.

Mr Peters: Very much so. You're right on; they would. We would have to examine the assumptions, but they would also form the basis for formulating the criteria for value for money on the deal, because that's really where the decision was made.

Mr Hastings: Wouldn't Ernst and Young, or whatever their new name is, have examined this proposition already, if you had these initial conversations with them, if it gets to that point?

Mr Peters: I already have had a conversation, and that was just as a matter of courtesy, to advise them that the motion was before the committee, that I was not yet sure of the outcome—but I had to alert them that if the motion is passed, I would have to approach them for any material they have under section 9 of the Audit Act. My understanding at this point, although that was just a verbal conversation, is they examined this only to the extent they considered it necessary to formulate an opinion on the fairness of the financial statements, that they did not do any extra work on this particular contract.

Mr Hastings: That would mean, then, that you would have to get access to the financial considerations, all the documents from those three brokerages, would it not?

Mr Peters: Not the supporting documents necessarily, but the reports they issued and the conclusions they reached. Certainly the reports should be explicit enough as to the assumptions they used. So our initial approach would be to the documentation they provided to OPG. We may in fact have to have a meeting with some of the people who prepared it, but I doubt very much whether we could actually use their working papers or whether they would be willing to make them available to us.

Ms Shelley Martel (Nickel Belt): My response is to Mr Maves. I just wanted to try and be helpful with respect to the issue around decommissioning, because it seems to be a flash point. If you look at the media reports that came after the deal was announced, it's clear that the money is to be used in a couple of different ways, which led to my concern about decommissioning. The money from the deal will go in part to a fund that was set up to cover the eventual costs of decommissioning. The estimate of that for the Bruce has been estimated by the Ministry of Energy at \$3 billion, which I referenced last week. It also says that OPG has been committed to paying \$400 million a year into this fund for decommiss-

sioning all of its sites, and the revenue from the Bruce facility's lease will now cover part of the payment.

The reason I have referenced decommissioning is to know whether or not, from the lease, which is the lease of a public asset, enough money will be coming for OPG to meet its commitments. It's not clear to me whether or not enough is there. The second problem is, if the decommissioning has been underestimated, then we really will have a serious problem later on if not enough revenue is coming from the lease to go into the pot to pay for that eventual cost.

The second piece to this—because we talked about stranded debt last week—is that the references to the deal also make clear that, “The money from British Energy will also be used to help OPG cover the cost of disposing of spent fuels, other waste from the nuclear process and to paying down the \$7.8 billion in so-called stranded debt.” I was trying to reference where some of this money, some of this revenue from the lease, is supposed to go. Clearly there is a concern about the stranded debt: how much will be coming; how much will be used to pay? And for me there is clearly a concern about the decommissioning, because we know some of the revenue from this deal is supposed to pay for those costs. My concern is, frankly, is it enough? What was the estimate based on and is the estimate it was based on realistic to cover the eventual cost too? That's why I included it last week in that list of concerns.

Mrs Julia Munro (York North): I want to get back to the conversation we were having a moment ago about the value-for-money audit and ask the auditor, in layman's terms, how that differs from a regular audit. What are we asking for when we look at the motion here and it talks about value for money? I just wondered what, in layman's terms, is the difference.

1030

Mr Peters: I'll try to answer that as concisely as I can. A regular statutory audit such as the one conducted by Ernst and Young is an audit examination designed to express an opinion on the fairness of the financial statements of OPG overall. In that connection, they would look at this transaction only from the perspective of whether the resulting monetary amounts are fairly reflected in the accounts of OPG, but they would not necessarily get into the matter as to whether the deal provided value for money to the organization. In fairness, if the deal was a horrendous profit-maker, they would assure that the profit was fairly recorded. If it made a loss, they would assure that the loss was fairly recorded. But they would not go deeper to assess whether or not a profit should have been made or when a loss actually existed. As long as the transaction is fairly reflected in the accounts, that's where the responsibility of an attest audit stops.

The value-for-money audit focuses on whether in the transaction itself there was due regard for economy, efficiency and operational effectiveness. That would be beyond the scope of a statutory attest audit. In my act, the attest audit that I do, for example, on the public accounts

is covered in one section, and my value-for-money audit is covered by another part of the same section. And that actually uses these words that I just gave you. It was their “due regard for economy, efficiency and effectiveness.”

Mrs Munro: Thank you. That's really helpful in terms of understanding what the difference is.

I notice that in the material you handed out today, that has not been your practice in response to the history of these requests from the committee. I may have misread these. Am I to assume that when you have been asked by the committee to look at a specific transaction such as those listed here, you have not been asked in fact to do a value-for-money audit?

Mr Peters: Let me answer that with respect to the one I'm most familiar with: the audit of the construction contract for the headquarters of the Workers' Compensation Board. That was very specifically aimed at value for money. Actually, the idea was, is the WCB getting a good deal on the contract they have granted? So that was very specifically aimed at value for money. In fact, I would think most assignments from this committee have had a value-for-money aspect, because I bring that aspect to virtually all the work we are doing, which makes us somewhat different from the statutory private sector auditors that audit these organizations.

Mrs Munro: I just thought it's really important for us to understand (a) what the difference is, and (b) where that had been done previously. So the one in 1986, is that what we are—

Mr Peters: The one in 1993 or 1994, the Workers' Compensation Board.

Mrs Munro: Oh, the building. Right.

Mr Peters: The building. It may have been changed afterwards but the original wording was whether a construction cost of X dollars per square foot was reasonable. It was that detailed originally. Then I believe the committee reworked the motion somewhat, because it ended up with broader questions also: the authority to go ahead, the formulation of subsidiaries at the particular time, whether certain sections of the act were properly applied etc. It took a much broader scope at the time.

Mrs Munro: Much has been said about the issue of decommissioning. Last week, when you responded to the whole issue of decommissioning, you made reference to an American circumstance where they had in fact declined to give an opinion because of the complexity or the difficulty or whatever of being able to give a comment on that. What are the circumstances that are different here that would allow you to do something like that, that didn't happen in the American circumstance?

Mr Peters: Thank you for that question. Firstly, let me clarify that the decommissioning costs of facilities in the United States—I took a look at a draft of Hansard. There's a small error. It was just one of the many reasons why they declined. It was just one item where they were in trouble.

They simply had not recorded the liability at all and that's why the general accounting office was concerned. They also had not recorded the pension liability for

veterans and a whole raft of other issues which added up to close to \$1 trillion. That was the estimate, or something like that.

To come to the second question, we would probably initially rely very heavily on this Canadian Nuclear Safety Commission, because in the past the practice was that what used to be the Atomic Energy Control Board used to go into the plants and review that area. They had the expertise, and they would also determine the rates at which the liability for decommissioning should actually grow. They very often expressed that as an add-on to the electricity rate. It was so many fractions of a cent per kilowatt hour produced by the facility that had to be set aside to meet future decommissioning of the plant.

We would certainly rely initially on the expertise and the documentation that is received by OPG from organizations that regulate the rate setting. Expert advice would only be required in terms of allocating that between the plants. For example, in the basic reasoning, the question that was outlined to us—and that's what I was reacting to, without doing any further work on it—was that the overall liability was estimated to be \$15 billion. The Bruce plant was said to have about a third of the capacity and therefore the question was raised, have we allocated the right amount of the overall liability to the Bruce plant? We would actually only require expert advice if there were questions raised in the way the allocation was made and any questions as to the reasonableness of the amount that was determined.

This is sometimes done internally. Sometimes these questions are raised. We don't know the numbers that were bandied about. I remember in the very beginning, when Ontario Hydro had only reflected a liability of a little over \$2 billion, the chairman giving a speech to the Empire Club and saying, "The real McCoy is some other and much greater number." So there are always questions about that.

The Chair: Can I ask the indulgence of the committee for a minute? I am scheduled to speak on the bill that's in front of the House and I would request that Mr Levac take over as Chair in my absence. Is there consensus on that? Thank you.

The Acting Chair (Mr Dave Levac): Can we also get consensus that I get his pay?

Interjection: Agreed.

The Acting Chair: Carry on. Thank you.

Mr Peters: That was the end. I hope I answered your question.

Mrs Munro: Yes, thank you. That is what I was looking for.

The Acting Chair: Anyone else?

Ms Marilyn Mushinski (Scarborough Centre): I just have a couple of questions for clarification, because I knew right from the beginning this was a very complicated issue. I need some clarity on a couple of items contained within your 1999 annual report.

In chapter 5, you state "In our 1998 annual report, we stated that, while Ontario Hydro acknowledged that the charging of \$6.4 billion of future expenses to be incurred

in the years 1998-2001 to the year 1997 was not in accordance with generally accepted accounting principles for business enterprises, Ontario Hydro and its external auditors had concluded that this accounting treatment was acceptable for enterprises operating in a rate-regulated environment."

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You go on to say, "Expenses are included in operating results of the year in which those expenses are incurred." Then you say, "In our view, the ability of Ontario Hydro's successor companies to raise funds through public issues is essential to containing the risk to the government of Ontario under guarantees provided on existing Ontario Hydro debt amounting to \$26.2 billion as at March 31, 1999, and to deal with the recovery of stranded debt now recorded in the books of the Ontario Electrical Financial Corporation."

I think I understand what that means. You raised this last week and I guess I'm just looking for clarification on what it all means.

You say in your overview, under "Local Services Re-alignment," "The LSR initiative has had a significant impact on the comparability of government expenditures with the previous year." Then you go on to say, under Ontario Hydro Successor Companies, "Under the Energy Competition Act, Ontario Hydro was succeeded effective April 1, 1999, by five entities. The three largest of these are OPG, OHSC and OEFC. The OEFC's preliminary opening balance sheet shows a debt of \$38.1 billion, \$21 billion of which is the latest estimate of stranded debt."

You say, "The government has a long-term plan in place to retire this stranded debt portion of the debt from dedicated revenues, such as payments from OPG and OHSC in lieu of property taxes, corporate income taxes, capital taxes and, if necessary, a competition transition charge that most likely would be levied on all ratepayers as part of their electricity bills. The effect of this plan is reflected in the preliminary opening balance sheet of the OEFC as a \$21-billion deferred charge to be recovered from future dedicated revenue streams."

I think the most important part is the next two sentences, and this is what I need clarification on. "We have accepted this approach, contingent on being provided annually with independent assurance of the value of the dedicated revenue streams. If this assurance is not maintained, the deferred amount, or a portion thereof, would at that time worsen the provincial government's operating results."

You go on to say, under Restatement of Certain Financial Statements, "In our view, the ability of Ontario Hydro's successor companies to raise funds through public issues is essential to containing the risk to the government of Ontario under guarantees provided on existing Ontario Hydro debt amounting to \$26.2 billion as at March 31, 1999, and to deal with the recovery of stranded debt now recorded in the books of the Ontario Financial Corporation."

Given the fact that you have already clearly made public statements about this whole decommissioning or

privatization, do you not already have the right to do what's being requested of you today?

Mr Peters: When this split was carried out—

Ms Mushinski: When?

Mr Peters: When Ontario Hydro was broken up into the five entities, out of these entities, I became the auditor of only one, and that was the Ontario Electricity Financial Corp.

Ms Mushinski: Just a minute. I'm sorry to be a bit slow in following this. So you became the auditor of right for OEFC?

Mr Peters: That's right.

Ms Mushinski: And the Ontario Electricity Financial Corp—can you explain the difference between that one and the other two?

Mr Peters: The Ontario power generating company—at that time it was called Hydro Services; it's now called Hydro One. The audit was awarded to Ernst and Young.

Ms Mushinski: Just tell me which one was Hydro One—OPG?

Mr Peters: The OHSC; you'll find it there. It's the Ontario Hydro Services Co. They changed their name during the year to Hydro One.

Ms Mushinski: OK. And OEFC continues to be OEFC?

Mr Peters: OEFC continues to be OEFC; OPG continues to be OPG. IMO and the other company, whose name I always forget—ESA or something like that, energy safety something—are audited by other auditors than me. Certainly on OEFC I have all the rights of the auditor. The full-blown Audit Act applies directly.

Ms Mushinski: Your statements, however—OK, I see. So you're saying that your statements—in assessing the approach of the OEFC, you had every right to do that and continue to do the checks and balances because it's a provincial—

Mr Peters: I can carry out any value-for-money audit in OEFC directly without approaching another auditor. I can do it directly. That's really the essential difference. With OPG, my first approach would be to Ernst and Young, as the statutory auditors of OPG, and then move on from there. The result is effectively the same. It's just the process that's different.

Ms Mushinski: Does that apply to OHSC or Hydro One?

Mr Peters: Hydro One as well, yes, because they are now all crown-controlled corporations, which they weren't. They became that on April 1. The government of Ontario declared itself the owner and controller through shareholdership of all these organizations.

Ms Mushinski: So there's no relationship whatsoever between what's in front of us in terms of Shelley's motion and OEFC?

Mr Peters: There are quite a number of relationships that exist. The Ontario Electricity Financial Corp, originally called Holdco, was actually, if you will, envisaged as the organization that held all the debt and held the productive assets of Ontario Hydro. When OPG and Hydro One—let me call it that from now on; it's easier—

were created, they were only given and only paid for the productive assets. OPG received and paid for, and the government became a shareholder of, the productive generating assets of Ontario Hydro. The government became the owner of the productive distribution system of Ontario Hydro.

Ms Mushinski: Did you say the “surrogate” of Hydro One?

Mr Peters: No. I had trouble with the name. I don't think I used the word “surrogate.”

Ms Mushinski: I probably didn't hear you correctly, then. I'm sorry.

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Mr Peters: Oh, it's Servco. It was at one stage also referred to as “Servco.” Originally, before they got the two names, they had Genco, which is now OPG, and Servco, which first became Ontario Hydro Services Co and is now Hydro One. That's what you may have heard.

The Acting Chair: Any other clarifications or questions?

Ms Mushinski: It certainly clarified a lot of what I thought I was reading.

Mr Peters: I apologize for that. But if I can clarify, I will gladly.

Ms Mushinski: When I was reading this, the bottom line to me was that you already had the right to do what you'd been doing in terms of the leasing arrangements with OPG, but clearly you don't.

Mr Peters: What I said is I have the right to do it, but the process differs. The right is there. Because they are now crown corporations, I can conduct value-for-money audits of any aspect of the operation. What I'm pointing out to you is that the process differs. With OEFC, I don't have to go to another auditor because I am the auditor; with OPG, I have to go through the auditor first because there is another auditor. But the end result is the same.

Ms Mushinski: I just have one more question. It gets back to your value-for-money audit for the domed stadium and UTDC and the comparison to what's being requested today. Could you, in 10 words or less, tell me how those two differ from what's being requested or are similar to in terms of the value-for-money aspect?

Mr Peters: Let me focus for a moment on the similarities to help you out. Certainly, a value-for-money audit is an audit to assess whether there was due regard for economy and efficiency, primarily. That would be the commonality of these audits. In value for money we would principally look for the economy to the taxpayer of this particular deal, as owner and shareholder. That would be the commonality with the other arrangements, whether we looked at the dome or whether we looked at the Workers' Compensation Board or UTDC.

Ms Mushinski: And obviously, that's the premise upon which you conduct any audit anyway, in terms of ensuring that the taxpayers' interest is protected.

Mr Peters: That's true, in accordance with section 12 of the Audit Act.

Mrs Munro: In the interests of moving along, I just wondered from the discussion we've had whether it

would be appropriate for this committee to defer the motion to have an in camera session with the committee from OPG. We've heard a little bit about their role and their position in all of this. We've also talked a little bit about the potential scope of an audit following Ms Martel's request. That would be a suggestion that I would make to the committee.

The Chair: Comments?

Ms Martel: Having OPG before us would not get us to the assumptions that I think the deal was based on because those assumptions were done for OPG by other companies. They were also done by other organizations for the government when the government came to its decision to agree to the deal. I am specifically interested in the work that was done by Salomon Smith Barney and the assumption that they used to come to the conclusion that this deal was a good one. Through this process they wouldn't be called. So we wouldn't get an idea of what information they used to make a determination that this in fact was a good deal for OPG.

In the same way, we know the government got advice from SuperBuild, and SuperBuild got its advice from its two financial advisors, Goldman Sachs and CIBC World Markets. Again, we wouldn't be entitled to receive that or a party to receiving information that came from those two financial advisors when they presumably gave the government provision to go ahead or recommended to the government to go ahead with the deal. I fully expected OPG would come before this committee and say that it's a good one; they signed it. That's not what I'm trying to get at. I'm trying to find out whether or not it's good for the taxpayers of the province. We could certainly have OPG here, but I'm not sure we're going to hear much more except what a great deal this is for taxpayers. It's certainly not going to give me the information that I think is necessary to determine if we really got value for money, because that information is based on assumptions by parties who wouldn't be before this committee and whose work wouldn't be before this committee.

The Chair: Continue on, Mrs Munro.

Mrs Munro: I just want to comment on the concerns Ms Martel has raised. I'm not suggesting that there is going to be from OPG—as an alternative to your original motion. All I'm suggesting is that we consider inviting them for the purpose of first of all hearing what they have to say but, obviously, in an in camera session, to be able to ask questions that would give us the grounds on which to make specific the potential scope of the audit. This is not designed to eliminate the step you have suggested. It is merely designed to allow the members the opportunity to hear from OPG as part of the process.

Mr Hastings: I think this is a very effective strategy in terms of really finding out. I think with scalpel-like questions one can get, to some extent, to probe the depth of the assumptions, the realism, the economic projection, the future projections these three companies made regarding this transaction. I think it's a significant opportunity whereby we can probe.

It depends on how you approach it, what sorts of questions one can ask. It might be very surprising what could come out of looking at this as a first step. Babies crawl before they walk. I think we need to look at it.

In my estimation, one of the most significant things we need to consider—I'm trying to balance off as a member of this committee our obligations or trying to ascertain the value-for-money proposition for taxpayers balanced against the need for confidentiality. That is a very vigorous exercise you have to go through on a creative basis. I think we need to get these folks in here.

I'd like to know from the committee, from Tonia, perhaps: do we have the capacity to call supplementary or tertiary partners to a transaction like this? Or can you only call the main partner who is responsible for signing the deal with the other partner? You've been on maybe not this committee but on other committees. Do we have that capacity to call these three brokerages, for example?

Clerk of the Committee (Ms Tonia Grannum): We could invite these people, these groups, to come forward.

Mr Hastings: They don't have to come?

Ms Grannum: I think that's as strong as we can go.

Mr Hastings: I think there's a good opportunity here, Mr Chairman, that we need to scrutinize first. What we don't find out of that, we look at the next. We go back and look at Ms Martel's motion.

Mr Dave Levac (Brant): Were you seeking a clarification, Mr Chairman?

The Chair: No.

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Mr Levac: I was going to wait to hear the answer to the question Mr Hastings posed because I believe that probably would have brought us closer to the information that is being asked by the motion. Not having the answer that I thought probably was available, nothing could be better than a cleaner and a more succinct opportunity to find out what's going on than the audit.

If the request for this extra step is for information, we probably would get that information from the audit, and I'm going to ask that question of the auditor. In terms of information that's provided here at the committee and your ability to get to the same questions, and probably even deeper, would it be found it an audit that's being requested of us?

Mr Peters: Let me try to answer that question this way. There would be no limitation on the information to which I have access, and there may be some limitation to the information that can be provided to the committee in a hearing. Even in a closed hearing you're still members of Parliament; you are the public. That is the role of my office, actually, to provide information to you that some organizations may have reservations in providing directly to elected members of the Legislature.

Mr Levac: That being said, I would also take up Mrs Munro's concern, or offer, I'll call it, because the spirit that I believe it was given in was to take another step and not to interfere with or not to remove the concept of the motion. In your opinion, would there be any new or different information that could be gleaned from taking

this step prior to an audit that you couldn't find out in the audit?

Mr Peters: The area where it would be helpful for us is in setting the scope of the audit and understanding better where this committee wishes to go with this motion. It would help me to set the scope of the audit more precisely and to influence the direction we're going to take.

Mr Levac: Thank you for that. As well, some of the members on the government side have indicated a concern—I believe I've heard them indicating a concern—that the motion as presented seemed to be very supportable and that there was nothing much to it, but with a little bit more prodding and poking they believed it was a concern being raised about scope.

In your opinion as the auditor, when a motion like this gets presented and you've had an opportunity to take a look at this, is there anything in the motion that you believe would either diminish the scope or allow you the leeway, shall I say—or deferring to your expertise in doing these kinds of audits, is there anything that could happen that would prevent you from moving into an area that you believe does have an impact on the motion itself?

Mr Peters: No. There is nothing stopping me. If the motion is passed by the committee, I could proceed right away. If we had a hearing, it would help me to do my work. Let me put it that way.

The only word that I had concern about was the word "guarantees": "to determine if the deal guarantees value for money." I would prefer "provides value for money," because whether a guarantee is actually there is a very tough—

Mr Levac: I think all of us would agree that there are no guarantees in life. I don't know whether or not Ms Martel would be open to having the word, with a friendly amendment, changed from "guarantees" to "provides."

The Chair: That's a friendly amendment. Is there any discussion, just on the amendment?

Mr Levac: Is everybody OK with that?

The Chair: That is to change "to determine if the deal guarantees value for money" to "provides value for money." No problem with that amendment? OK.

Mr Levac: That provides me with enough scope to suggest that whatever we decide as a committee, it should be based on the fact that we are looking at the motion to find the best possible information available to the taxpayers regarding the particular deal.

Mr Richard Patten (Ottawa Centre): I just wanted to comment on inviting OPG in prior to an audit. I think normally what happens is, we respond to the auditor's report, the comments and reaction to recommendations therein. If we find that there are some areas that are a little fuzzy or some areas in which we feel there hasn't been an adequate response, then we usually invite the ministry in or the party in to go through that.

It's my feeling that the issue of confidentiality would be a factor. Where it would not be a factor is in the instance where the auditor has full access to things and is

held professionally to honour the confidentiality elements that we would not even be exposed to. So I don't think we'd get at perhaps some of the information. It would probably be in that area, in that domain, where we would get it. My feeling is that we still have that option and I support the amendment to provide value for money. I think we should move ahead with that and keep that option open that Ms Munro suggested. But once we've responded to "the third-party analysis," that being the auditor, that work is done.

Mrs Leona Dombrowsky (Hastings-Frontenac-Lennox and Addington): It's helpful to understand that the auditor would find the exercise that has been proposed by Ms Munro a helpful one in terms of assisting him in understanding scope. I guess my question would be, why would we need to defer this decision? If there isn't a sense that we're going to get any information from the presentation by the OPG people—clearly they're going to be able to clarify issues but I don't think they would be in a position to determine if the deal provides value for money. I think that's understood. That clearly falls under the scope of the auditor. I would only make the point that while I could support, for the reason that Mr Peters has stated it would assist him in determining the scope, I really don't see the need to defer the motion we're considering today, but certainly add to that that there would be an exercise where there would be a meeting to hear from the OPG.

Mrs Munro: If I might just respond to Ms Dombrowsky's comment, the intent is simply as a procedural one that we are currently discussing Ms Martel's motion. I'm just asking that we defer that motion in order to do something else, that is, discuss; in this case invite OPG here. I hope that clarifies for you the procedural aspect of doing that.

Mrs Dombrowsky: Not really.

Ms Martel: Can I follow up from where Leona was going, because actually I'd be happy to agree to that. As I said earlier, I don't think having OPG in here is going to get to the financial assumptions that this deal is based upon. We can certainly have them come and the auditor can ask questions, and so can we, about how we can scope some of this, but it doesn't change for me what is being requested. Frankly, a meeting with them, for me, is probably not going to get to what I'm asking for, which is, does this deal provide value for money? The auditor is going to be the one who will have to determine that for the committee.

So I'd be happy to have OPG in as part of a process where this motion has been accepted, and that is the first step of responding to the motion, actually setting terms of reference or setting the criteria or setting the scope, or however you want to describe it, of what the auditor then looks at.

1110

If people are worried about the confidentiality, and I'm assuming that's what the request is, for us to go in camera, because we would normally not be in camera when we have a presentation by ministries or interested

parties, then again, I have to look at that and say that potential hearing itself is not going to get us to where I think the committee would want to go, which is to have a full and complete examination of all of the assumptions that were made by at least three other parties to get to this deal.

I would put on the floor then the possibility that we accept the motion and, as a first step to accepting the motion, have OPG before us so the auditor can then develop his terms of reference to proceed.

Ms Mushinski: I have a question of you, Mr Chairman. Was the question asked last week and answered as to whether this deal has actually closed, legally?

The Chair: Whether this deal has actually closed? Yes, and the information was provided. It was in the backgrounder to the—

Mr Patten: I have a copy of the lease agreement.

The Chair: Yes.

Ms Mushinski: OK. I guess my question is, has this deal legally been closed? Because there seems to be some disagreement with that, especially—

The Chair: The way I understand it is that the agreement with British Energy has been signed, but it will not actually come into effect until next year.

Ms Mushinski: OK. I need some clarification of what that means.

The Chair: I understand that the deal is finalized, that there are a number of conditions to it, such as, for example, from the nuclear energy board.

Ms Mushinski: Finalized but not in effect.

Mr Patten: Their permits. They need two to operate.

Ms Mushinski: So a value-for-money audit on a deal that's not yet complete—

The Chair: The deal is complete.

Ms Mushinski: —is actually being requested.

The Chair: Certain aspects of it haven't started yet.

Ms Mushinski: OK, that's fine.

Mr Levac: Just a procedural question with what Ms Martel has indicated to us. Does that change the motion?

The Chair: No. The way I understand it is that the motion will simply be tabled until such time as we have an opportunity to meet with them.

Mr Levac: I just have to clarify what I'm hearing, because I believe that the motion is still on the table, but as a part of the motion Ms Munro's request is being asked.

My next question is if, procedurally, that's doable. That's what I need to know.

Clerk of the Committee: I understood that Ms Martel wanted to proceed with the motion, put the motion to a vote and, as an aside, have OPG come in. Is that—

Ms Martel: Yes.

Clerk of the Committee: So we're still debating the motion. We've moved an amendment to the motion.

The Chair: That amendment has been carried.

Clerk of the Committee: Which was to change—

Mr Levac: Just the word.

The Chair: A friendly amendment.

Clerk of the Committee: Yes, OK. So you have to vote.

Mr Levac: Then I seek clarification from Ms Munro that if that satisfies her desire to have that information presented before—it doesn't quite satisfy, because her request was that it be tabled or whatever—

Clerk of the Committee: Deferred.

Mr Levac: —deferred, and Ms Martel's counter was, let's go ahead with the motion, with the understanding that we are going to proceed, as part of that understanding, to hearing from the company.

Mrs Munro: I understand it to be as you have explained, but I would just indicate to you that I'm not prepared to support that. What I'm asking for is that we have OPG first. That will allow us to determine the potential scope of the audit. As the auditor has indicated, I'm suggesting that we defer Ms Martel's motion.

The Chair: OK, any further discussion?

Ms Martel: I'm trying to figure out what OPG is going to tell us that's going to make the government members decide whether to support the motion. That is the crux of the issue for me. This is where I would appreciate some response.

OPG is going to come in here in a closed session. First of all, I have problems with that because that is absolutely contrary to any other meeting we have had when a ministry has come before us. I can only assume that the government members are trying to do that because they think OPG will share some confidential information with us. If that is the case, then I would prefer that the auditor just go in and do his work so the committee does not have that confidential information before us. That would be my preference. But OPG will come in and they will describe to us why they think it's a good deal. They will not provide to this committee the assumptions that were produced by at least three other firms to recommend the approval of this. We are still only going to get that information if the audit proceeds. I'd like to know from the government members what they think we're going to get from OPG that will either allow us to proceed with this audit, or might change our minds?

The Chair: Any comments?

Mrs Munro: From the discussions we've had up to this point, it is clear there are some complexities around this issue. You mention that it's most unusual for us to go in camera, in terms of ministries, but that's because it's always after the fact. The auditor's report is a public document and, obviously, then the ministry's response to it is public as well.

What we're considering is something that is fairly unusual, given the history of doing these kinds of requests to the auditor, and as you yourself have pointed out, we are also doing it on a rather unique situation in terms of both the complexity and the monies that we're talking about. So I think that it's reasonable for us to want (a) to have it in camera and (b) to hear something from the major player.

I understand your point about the fact that you're not going to get the confidential information that would have

been shared between OPG and its advisers. I don't believe that's the purpose of what our request is, because that is obviously the auditor's responsibility, and we're not trying to do his job. What we are trying to do is say that in order to give him the direction that is inherent in your motion, we need to have at the very least the opportunity to hear from this group.

Mrs Dombrowsky: Then, because you are speaking in very positive terms about what the auditor will do when he addresses this motion, would it be fair to propose that instead of deferring the motion today we make it a part of the motion that this audit will not be conducted until OPG has had an opportunity to make a presentation to this committee?

Mrs Munro: What I would propose in a motion is essentially the same thing as you're suggesting, but what I have suggested is that we defer Ms Martel's motion so we can discuss something else, which in effect would be the appearance of OPG.

Mrs Dombrowsky: For further clarification, I'm not suggesting that Ms Martel's motion would be deferred; I'm suggesting that it would be supported and perhaps we could work on some wording on condition that the auditor would not proceed with this until the committee has had the opportunity to hear from OPG; but very clearly today we would leave the room with the understanding that there was going to be an audit. It would not take place until there had been this meeting that would perhaps clarify for the auditor the scope. From the conversation and debate we've had so far this morning, certainly members of the government are speaking from a perspective that would presume that the auditor is going to have a particular role here. I'm simply saying, rather than defer it, why not confirm that in fact it will happen, but set some conditions in place before that would happen?

Mrs Munro: At this time I'm not prepared to do that.
1120

Ms Mushinski: I have some questions. I don't think we're too far apart on this. I just have some concerns a little bit with the timing. Ray, I believe in response to a question I had last week with respect to the federal licence, you will just have to prompt me on the actual—

Mr McLellan: The issue on this was the date of the licence. I called the commission up and asked them what the status of the licensing is on the Bruce. They said to me that currently the licensing for schedule 1 is operational—in other words, they're in place—but that it would be necessary for a new licence to be issued. I'm just looking for my note on that. An application had been received on July 31, and it would take approximately until Christmas for the approval of that. In other words, the process had been set in motion for the review of that licence and the expected date for approval is around the end of this year.

Mr Patten: I have a copy of that, by the way.

Ms Mushinski: My understanding is that the leasing of the Bruce nuclear plant, which is still awaiting regulatory approval, is required before the deal can materialize.

Mr McLellan: If I can go back over that territory, I just asked you a minute ago whether or not you were happy with the explanation of the legal status of this agreement. What I would propose, subject to what the Provincial Auditor and also the Chair have said, is that I could ask to have that looked into. We know from the material that's been handed out, the background from Ontario Power Generation, of the announcement of the agreement with British Energy in July 2000, but you may want an elaboration on that. I think what you're saying to me is, let's look at it vis-à-vis the licensing arrangements and whether there are any contingency situations that have to be looked at. In other words, are there any specific issues that could hold it up?

Ms Mushinski: That's precisely it. Not only that—to be quite honest, I kind of like Shelley's motion—my concern is that it may well be presupposing some of those legal aspects. I'm prepared to amend the motion pending those confirmations, if only because I'm just a little uneasy with approving something in principle prior to getting confirmation of that.

My understanding is—and this is why it would be nice to have OPG here—that there is some difficulty with that. My concern is that if we as a committee are going to suggest we proceed with a value-for-money audit, without legal confirmation that this is a done deal in terms of all of those aspects with respect to the federal government, maybe we should be approving this in principle pending confirmation of that. I'm not sure if at this stage I should be making that motion or if you can get that information back to us within the next week or so.

Mr McLellan: I could undertake to have that started today, to report back to you on exactly what the legal status of the deal is.

Ms Mushinski: That would be helpful.

Mr Patten: I don't have the document with me, it's up in my office, but I did ask the Canadian Nuclear Safety Commission for the outline of the application and the categories. It all has to do with staffing, health and safety, all those issues. There is no financial analysis at all. That's not what the Canadian Nuclear Safety Commission is about. It goes through changes from Bruce. Some things stay the same. They have categories: is this a minor change? Is this a significant change? If it's significant, they identify what it is and what's going to happen etc. I'd be happy to share that with the committee.

Ms Mushinski: My community has just gone through a very intense four days over the Adams mine, and I just want to make sure that all the t's are crossed and the i's dotted. There are still some outstanding matters that I would like to get some legal advice on, Mr Chairman. If we could do that through Mr McLellan, I'd appreciate that.

The Chair: What specifically is the information you want from him, or are you clear on that, Ray?

Ms Mushinski: Specifically I need to know if this is a done deal. My understanding is that the deal is not closed until the federal Canadian Nuclear Safety Commission

has completed their review of the leasing deal of Bruce A. My understanding is that the leasing of the Bruce nuclear plant to Bruce Power is not yet complete, is still awaiting regulatory approval, and that without that regulatory approval the deal will not materialize.

I've heard two versions about whether or not this is a done deal. While I have no difficulty in principle with the motion that's before us, I think it is premature and that we need to have clarification on those items before we proceed with a value-for-money audit. I'm prepared to make a motion to that effect.

Ms Martel: I just want to clarify, because originally I thought you said you would agree in principle with some conditions. I was wondering whether or not you would agree today to have the motion go through.

Ms Mushinski: I don't object in principle to the motion.

The Chair: Can we do it this way? Can we pass this motion but put a couple of riders on it: that no work be commenced by the auditor on this until we have received legal confirmation that in effect the deal is complete, or whatever terminology you want to use, and until the committee has had an opportunity to meet with OPG?

Ms Mushinski: I'm prepared to say that this committee directs that consideration of Ms Martel's motion be deferred until such time as the OEB and the Canadian Nuclear Safety Commission have completed their review of the leasing deal of Bruce A and B nuclear facilities and the deal is completed.

The Chair: I understand. So that's the predicament.

Ms Mushinski: That's my motion.

The Chair: On the one hand there is the notion that the motion should be passed with these two conditions; on the other hand that the motion should not be dealt with until the two conditions have been satisfied.

Ms Mushinski: I'm prepared to premise this by saying that this committee does not object in principle to the auditor's consideration of this agreement. That at least demonstrates the good faith of the committee.

Mr Levac: A question first and then maybe a comment. I'd like to ask the auditor what you've heard in the last little while, talking about whether or not there are certain conditions to be met. The one I need clarification on is that there seems to be some type of disagreement as to whether or not it is a legal deal. I'd rather ask this question of the auditor: can you still audit this deal whether or not the t's are crossed and the i's are dotted?

Mr Peters: Yes, we can certainly take a look at this deal.

1130

Mr Levac: That's pretty simple. Further to that, to make sure I have a really simple understanding of this, is there anything that stops you from doing your complete job whether or not certain aspects of this agreement are actually completed?

Mr Peters: There are two ways of dealing with it. The first way of dealing with it is getting them out of the way right at the outset. The other way is that I would have to report back that there were certain scope limitations,

there were certain things that I couldn't do because of the status of the deal.

Mr Levac: So if there is a certain question as to whether or not the deal is complete, you may be prevented from doing certain audit jobs within the entire audit. There are certain things that could stop you from doing things.

Mr Peters: It would certainly influence my conclusion. It may not influence necessarily the work that I have to do but it would stop the conclusion.

Mr Levac: Thank you for that clarification. So what I believe I'm hearing is that Ms Mushinski's request is a valid one in as much as it does affect your ability to do your job—not necessarily to do your job but to draw the proper conclusions on the complete deal.

Mr Peters: To draw conclusions based on the work, yes.

Mr Levac: The second part is a comment. I'm hearing that the good faith is there on the government's side but the actions are speaking differently to the goodwill. There is an offer to incorporate into a motion the entire concerns that are being raised by the members on the other side. It's not being taken because they still believe it needs to be deferred, but they still want to do the audit.

My challenge to them is to say very clearly with this clarification that both aspects that are being raised by the members on the other side could be incorporated into a motion that allows the audit to be done, but not until (a) the legal question is answered as to whether or not it's a done deal—which you have clarified for us, that says very clearly that a complete, total audit needs to be done, and the conclusions raised may be affected; I would support that—and (b) having somebody here would help you with the scope of the audit by having certain things mandated here.

The concern I'm raising right now is a challenge to the members on the other side. We've been provided with an opportunity to include in the motion all of those aspects and get everything done at the same time. So there's no need to show goodwill; it's to do it.

Ms Martel: If the committee doesn't object in principle to the motion, then I would ask the committee to support it today. The effect, regrettably, of what Ms Mushinski has proposed would mean that the auditor would not be able to do his work until some time in the summer of 2001. According to all of the background documents from both OPG and Bruce power, they don't anticipate having the approval from the federal licence or the OEB until that time. I find it hard to square that with the committee not objecting in principle to being asked to then accept a delay to deal with this motion until some time next summer.

Secondly, whether or not in legal terms the agreement has been signed should not be an issue that would hold this up one way or the other. I say that because the auditor has already provided us with information that a previous public accounts committee and a previous auditor did a review of a deal that was not complete, and that was the Dome. So there has been a past precedent

already set in this committee that there was unanimous agreement by committee members and then the auditor went ahead and did his work on a deal that was not legally complete. We have a precedent to rely on and the committee has done that.

If the deal is complete legally, we also have precedents from this committee where the auditor has reviewed those as well. I raised with the committee last week the case of the Andersen deal, for example, and community and social services. That was a particular deal that was done. It was reviewed by the auditor, and as a result of this committee reviewing it extensively, not once but twice, COMSOC was forced to essentially go back and redo or renegotiate the terms and conditions of that deal because of what we had found.

The point I'm trying to make is, to hinge a decision on whether or not from a legal standpoint this deal is done has no effect one way or the other on the motion before us. Clearly, in both cases, before a deal has been done and after a deal has been done, the auditor has done value-for-money audits as a special assignment by this committee.

The third point I want to make is that I think it would be difficult to vote this motion down by assuming we somehow need to wait for approvals that come from the federal agency or the OEB. I tried to make it clear last week, and I think the documents that were provided to us by Ray over the course of last week clearly show that the financial portions of this deal, which is what I am interested in and which I hope the committee is interested in, are not part and parcel in any way, shape or form of the licensing requirements, either from the federal agency or from the OEB.

Ray got for us a copy of a typical reactor operating licence, which is very valid because it's one that was recently signed, in January this year, which allowed OPG to continue its operation at Pickering nuclear generating station B. I took the time to go through it last night, and I'm sure everyone else did as well. Clearly, in appendix B, any documents that had to be prepared by the licensee, in this case OPG, and provided to the federal agency were documents that dealt with staffing, health and safety matters, security issues, nuclear emergency plans etc. There was not one item that had to be provided as a term and condition of the licence that was a financial item, so there is no reason for the committee to assume or presume we can't deal with this matter because the financial aspects are part and parcel of the licence condition from the federal agency. That's just not true, and it's been clearly demonstrated in the information that was provided to us this week from the nuclear agency.

In the same way, this morning we received information from Bruce Power by fax—at least I did, and I'm assuming other members did. It was an announcement that they have formed a partnership with Cameco with respect to this deal. Their partnership doesn't affect the financial arrangements of the deal. What they also did in the release was give an update of what they have done. They clearly said they have submitted their applications to the federal agency and to the OEB.

Under the section "Why did we apply for a licence?" it says, "The OEB licence is required by all generators in Ontario. Once obtained, this licence will grant approval for Bruce Power to not only generate electricity, but to purchase and sell that electricity in the newly deregulated Ontario marketplace.

"As a result of our filing, the OEB has issued a notice of application to inform the public that Bruce Power has applied for a generator licence," which they have to do to buy and sell in the market.

Again, there is no—"responsibility" is not the word I'm looking for. It is not incumbent on Bruce Power to submit to OEB the details of the financial arrangement between themselves and OPG as a condition of their licence from the Ontario Energy Board. The licence they get will be a licence to sell energy. None of the financial aspects of the deal, which is what I am concerned with, have to be filed with the OEB. To argue that we need to wait until they receive their application from OEB is really a moot point. OEB is not examining, reviewing or commenting on the financial transaction that is part and parcel of the motion before me.

Having said all that, I say to the government members that the motion Ms Mushinski would put would effectively shelve this until next summer. I go back to the point I raised—that I started with last week when I moved this motion—with the Premier of this province, who said he was prepared to have this deal reviewed. I didn't think he meant a year from now. I thought he meant he was prepared to have all the aspects looked at now to determine if taxpayers are getting value for money.

1140

I think it's incumbent on us—if we want to have OPG come in and help the auditor set the terms of reference, fine. I've got no problems with that. But I think we are all very clearly aware that for OPG is not going to give us the information I have asked with respect to this motion. I'm asking the government members, frankly, to do what their Premier has said he is prepared to do, which is have a legislative committee look at it. I ask that we agree to do that now, not to defer it effectively till next year, because to effectively defer it to next year really questions people's determination as to whether they agree to it in principle. If you agree in principle, do it now. There's no reason to delay it for another 10 months.

The Chair: Ray, you have comments?

Mr McLellan: Following up on Ms Martel's point, I want to repeat a point I made earlier with respect to the Canadian Nuclear Safety Commission. The class 1 licensing regulations are operational, in agreement with what you're saying. I didn't circulate this document, because there was enough going around. But if we're interested in it—and I did outline half an hour ago that it deals with the construction, operation, decommissioning and abandonment of the site, so it's an operational document and not financial. If you do need it, I can circulate it.

The Chair: Any further comments?

Mr McLellan: This dealt with the memo I sent out this week with respect to the federal safety standards. I think I indicated in that memo that it's a class 1 licence to be issued. The document that was provided to me from the commission specifically says it's a licence that deals with operations and not financial. In other words, this is from the federal government, the safety commission; it's an operational licence. It just deals with site requirements: the construction, operation, decommissioning and abandonment of the site. In simple terms, it's a management land use planning and environmental licence.

The commission did say to me that currently there are licences in effect for that site, issued to Bruce—in other words, it's currently licensed—and the application for this new company was received on July 31. I indicated an hour ago that it would take four to five months for the review. A group has been established to undertake that review, and it's going on today. I think that finishes that off.

Ms Mushinski: I still have questions of Mr Peters. I know this was asked last week, but we really need to go through it again.

Mr Peters, if you were asked today to proceed with a value-for-money audit of OPG and this deal, what are your commitments to date, and how will that affect those commitments in terms of your other duties and responsibilities as the Provincial Auditor?

Mr Peters: The audit work for my 2001 report is underway right now, and it pretty well occupies my staff. I would probably have to engage additional resources on one basis or another to do it, but I do have room in my budget to do it.

Unfortunately, in the current climate my salary levels are geared to those of the public service and I'm not a very good competitor that way, so I will probably have to engage people under contract. What I mean by that is that I currently do not have the full staff complement I would like to have, and that allows room in my budget to engage specialists or whatever I have to do to carry out this work.

The Chair: But there is room in your budget right now.

Mr Peters: There is room in my budget right now to do that simply because I'm understaffed.

Ms Mushinski: But it would essentially take all your existing resources.

Mr Peters: No, the existing resources would carry on with what they were doing, and I would staff this with money I have available because I am understaffed.

Ms Mushinski: I don't know if I have to withdraw my motion to make an amendment. But I'm certainly prepared to move an amendment to Ms Martel's motion that will read as follows—

The Chair: Right now, what we have in front of us is the original motion as amended by changing the word "guarantees" to "provides."

Ms Mushinski: I will move that Ms Martel's motion be amended to read as follows:

"The public accounts committee directs that at such time as the OEB and the Canadian Nuclear Safety Commission have completed their review of the leasing deal of Bruce Nuclear A and B and the agreement is completed, the Provincial Auditor examine all details of the leasing agreement between Ontario Power Generation (OPG) and Bruce Partnership for the Bruce A and B nuclear facilities to determine if the deal offers value for money for Ontario taxpayers, and to report to the public accounts committee with his findings and recommendations as soon as possible."

The Chair: That's the amendment. Is there discussion on the amendment?

Ms Martel: I can't agree to that, because effectively it shelves the work the auditor would do until at least next summer. Given that this deal is worth some \$3.1 billion, it is the biggest privatization deal in the history of this province, I don't see any reason for us to delay until next summer having a thorough review by a competent auditor to see if it provides value for money for the taxpayers of this province.

It seems to me—and I repeat this again—that there is absolutely no reason for us to hinge a review of this matter on licensing approvals from either the federal agency or the OEB. We know, we have been told and we have had confirmed for us that neither of these agencies is in fact dealing with the financial aspects of this deal, and those are the aspects of this deal that I am interested in, because those are the aspects of this deal that directly impact on the taxpayers of this province.

We have OPG, whose sole shareholder is the province of Ontario, who is leasing an asset that belongs to all of the public. The reason for my motion is to determine whether or not this 25-year leasing agreement of a major public asset is in the best interests of the taxpayers of Ontario. I would think, given the magnitude of the deal, that all members of this committee, including the government members, would want to know now that we are getting value for money through this \$3.1-billion deal for a public asset, which the public has paid for.

There is no good, logical, sensible, reasonable reason for us to delay this work—none at all. I will mention again that the Premier of this province, when he was asked about this deal two days after it was signed, said he would be happy to have this deal reviewed by a committee and felt that all of the provisions of it would stand up to public scrutiny. I am taking the Premier at his word. I believed him when he said he was prepared to have this reviewed by a legislative committee. This is the committee. The time and the place is now, not 10 months from now when the thing will be so far done that, despite the auditor's recommendations and findings, we will be able to do nothing—nothing—about this deal.

It seems to me that the committee should have an interest in determining now if we've got value for money, because if we don't, then this committee has an obligation to reply to the House and make suggestions on how the financial aspects of the deal could be amended and improved to guarantee that the taxpayers of this

province get value for money. Why we would want to wait 10 months for that when the deal is solidly in place is beyond me. It will be far too late at that point to try to fix anything, if indeed something needs to be fixed.

I say to the government members that I regret this is the approach they're taking, because I think they know that this effectively ends a relevant, timely investigation of what is the biggest—biggest—privatization of a public asset in this province. I would have thought they and the Premier would have wanted to have this investigated now to guarantee that we were getting value for money, to ensure that we were getting value for money and, if not, to give recommendations now to ensure that we did.

Mr Levac: I'm trying to come to grips with a couple of the things I've heard today. It is confusing inasmuch as the pieces of information provided are so contradictory to each other. I'm trying to come to grips with the concept that has been put forward to us that there is concern about the deal being completely finished—Ms Martel is giving us an indication that we're talking about 2001—and that to proceed before that might be a problem.

I need clarification again from the auditor, maybe in the legal end of it, not necessarily the auditing end of it. If I've got this right, you're saying to me, Mr Peters, that if this deal were to be audited today, there might be a different result if we waited until the deal was completely done, with federal information that doesn't have an effect on finances, if I've heard that right.

1150

Mr Peters: Certainly the value-for-money aspect could be looked at immediately. Some of the conclusions may be softer. Let me illustrate.

Assume for a moment that under the licensing arrangement it is now necessary for them to add staff in order to meet, for example, safety provisions so that they can have the licence, whatever it might be, but one of the provisions the licence granter looks for is whether they're properly staffed and can properly carry out their duties with regard to safety. There may be some words that have to be used in my conclusion that say "but subject to" whatever the additional staffing costs might be, for example.

Mr Levac: That helps me an awful lot because, under our first discussion, I was under the impression that it may have something that would change your view of the financial status of the deal versus the language you would use as a cautionary note of some sort, saying that it might change because the deal may require you to hire more staff or subject to a deal. We're not talking about an overall financial change that—I'm trying to use an example too. I don't know this business, obviously. For instance, because we've signed the deal, we are now going to have \$1 billion added to this deal or something out there. You're talking about cautionary language you would use. Your language wouldn't be as strong or as concise had you had the entire deal, but you would still be able to identify the area we're talking about, which is value for the dollar.

Mr Peters: That's right.

Mr Levac: Then I defer to the other question that was raised to me in clarification of Ms Mushinski's concerns about the deal itself not being complete. We're still not talking about a deal that, if signed in the summer—we're not talking about any of the finances that are going to be changed in terms of what has already been agreed to.

Mr McLellan: My understanding is that Ms Mushinski is asking for clarification on the legal status of what has been signed.

Mr Levac: Understood.

Mr McLellan: We can look into that and have legal counsel look into that. The second component is to check on the status of the licensing; in other words, to see exactly, contingent upon the signing, what licensing is required and the status of those various licensing agreements.

Mr Levac: That's a fair clarification, but I guess what I'm putting on the table is whether or not that has an impact on the finances in order for the auditor to do his job, because there doesn't seem to me now, in terms of what I've been hearing—go ahead.

Mr McLellan: Sorry. Just going back to Ms Martel's point on the federal safety standards on a class 1 reactor, based on the documentation I've received, and I can circulate this to the committee, it doesn't deal with financial issues.

Mr Patten: It doesn't. You're right.

Mr McLellan: It's dealing with land use, environmental and administrative/operational matters. I was asked to look at that last week, so I'm reporting back on that.

With respect to the energy board items, I believe Mr Peters's office had looked into that and he has reported on that.

The Chair: We have less than three minutes left, folks. Ms Dombrowsky, Mr Patten and Ms Munro.

Mrs Dombrowsky: Can we change the order of Mr Patten and me?

The Chair: Mr Patten, quickly.

Mr Patten: I have a breakdown which is a summary. It's a huge document on the application which goes to the nuclear safety board, but in two pages it gives you a picture of all of the elements they are responsible for and look at. It goes through the fuel ware, the electrical, the maintenance plan, maintenance backups etc. "Are there changes?" "None." "To be reviewed." "Significant changes?" "Yes," and there's a description of them. Just to reinforce, there's nothing in here that is financial. I'd be happy to table that with the committee to help assure the members on the other side that indeed that's a different function.

Mrs Dombrowsky: I agree with Ms Martel. I suggest that Ms Mushinski has failed to demonstrate to me why it would be important and necessary to wait until the reviews have been completed in order to initiate the work of the Provincial Auditor. In fact, I would suggest that it might be more appropriate that the Provincial Auditor begin his work as soon as possible. If it isn't a done deal, that might not be a bad idea as well, because the auditor might uncover some issues that could possibly be

addressed before the deal would be finalized. I would not be able to support Ms Mushinski's amendment at this point in time.

Mrs Munro: I was actually going to go back to something the auditor said, but I also wanted to raise the issue that much of the discussion has focused on the fact that these two groups that occupy part of the process are not dealing with financial. If you accept that logic, then waiting for them doesn't make any difference, in the sense that what we are asking is for them to be completed, and that is the process.

The other thing I wanted to comment on was with regard to the auditor's comments. Last week when you referred to the problem of doing something before the process has been completed, you told Mr Levac about "softer conclusions"; I think that was the term you were using. I wondered if that related to the issue you raised last week about the difficulty of doing something before it's completed in the audit process that happens after; in other words, the advice that you provide afterwards to legislators.

Mr Peters: I'd like to deal with this in two questions. I think the reference I made last time—and I hope I'm not referring to the wrong thing, and correct me if I do—was to my office actually being involved in deals before they are completed, from the point of view that it would interfere with my independence. However, from the

perspective of deals of this nature, I would think that our involvement would probably be of assistance because my client is different; in other words, in the other situation it would be the ministry asking us to be involved, not you. This time you are the client, and I report to them, and so my independence is safeguarded.

The Chair: Any other questions? Are you ready for the vote, then, on the amendment?

Ms Martel: Can we have a recorded vote?

The Chair: Recorded vote.

Ayes

Hastings, Martiniuk, Munro, Mushinski.

Nays

Dombrowsky, Levac, Martel.

The Chair: That amendment is carried.

Are we ready to vote on the motion, as amended? All those in favour of the motion, as amended? Opposed? That's carried.

It being 12 o'clock, we stand adjourned.

The committee adjourned at 1159.

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Also taking part / Autres participants et participantes

Mr Erik Peters, Provincial Auditor

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 30 November 2000

Journal des débats (Hansard)

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Standing committee on public accounts

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Rapport spécial
du vérificateur provincial

Chair: John Gerretsen
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Published by the Legislative Assembly of Ontario



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Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 30 November 2000

Jeudi 30 novembre 2000

The committee met at 1003 in committee room 1.

SUBCOMMITTEE REPORT

The Chair (Mr John Gerretsen): I'd like to call the meeting to order. The first thing I think we should be dealing with is the subcommittee report. Richard, would you like to read the report in, and then maybe we can have it seconded and discuss it.

Mr Richard Patten (Ottawa Centre): Yes. Being a phantom member, I'd be happy to.

Your subcommittee on committee business met on Wednesday, November 22, 2000, and recommends the following:

(1) That the committee table periodic reports on the sections of the auditor's special report that have been reviewed.

(2) That the schedule for the public accounts committee in its review of the 2000 special report of the Provincial Auditor be as follows:

November 30: Overview of special report by Provincial Auditor, followed by questions/comments from each caucus.

December 7: 3.01 Agricorp (Agriculture, Food and Rural Affairs)

December 14: 3.09 Emergency health services (Health and Long-Term Care)

(3) That the committee will begin each section with a closed-session briefing by the research officer and the Provincial Auditor. The deputy minister and other appropriate staff of each ministry will be asked to attend the committee following the closed-session briefing to provide a response to the auditor's report.

(4) That the committee request of the House leaders to sit for up to eight days during the weeks of February 26, 2001, and March 5, 2001 (Monday to Thursday)—except Tuesday, of course—"to continue its review of the 2000 special report of the Provincial Auditor;

(5) That the committee review the additional following sections of the 2000 special report of the Provincial Auditor, schedule to be determined.

3.03 Project to automate the land registration system, Polaris (Consumer and Commercial Relations)

3.04 Institutional services and young offender operations (Correctional Services)

3.06 Operations division (Environment)

3.13 Forest management program (Natural Resources)

Chapter 4 (3.04) Land transfer tax program (Ministry of Finance)

Chapter 4 (3.10) Science and information resource division (Ministry of Natural Resources)

Chapter 4 (3.12) Ontario Provincial Police (Ministry of the Solicitor General and Correctional Services).

The Chair: Is there any discussion on that report?

Ms Shelley Martel (Nickel Belt): It appears the House is going to sit an extra week, so we could also sit on December 20. I'm wondering what we want to do with that session, if we want to leave it. I guess my suggestion would be that we leave it open to see if there is any overflow from either of the two sessions on December 7 and December 14 and leave that as a potential where we might recall either of those two ministries, rather than moving on to another entirely new section.

The Chair: Yes. The other thing is that I'm not sure. Is it definite that the House is sitting that week?

Mr Patten: Nothing is definite.

The Chair: I would suggest that if it looks as if the House is going to sit that week, the subcommittee could meet and maybe decide what it wants to do on December 20—or December 21. Is that agreeable to everybody?

Any further discussion on the report then? All those in favour? Opposed? Carried.

SPECIAL REPORT,
PROVINCIAL AUDITOR

Consideration of the special report of the Provincial Auditor.

The Chair: Today we'll have an overview by the Provincial Auditor. I don't know how long Mr Peters is going to speak, but he indicated to me maybe 10 or 15 minutes and then I would suggest that you go in rotation for 20 minutes, 30 minutes, whatever you want to do, for each caucus to ask any questions.

Mr Erik Peters: Just one quick question. Would you like me to move to the other end?

The Chair: It makes no difference. I think you can stay right there.

Mr Erik Peters: OK. The other one is, I have some speaking notes, and I thought you might be interested in having those. As I say, they're just speaking notes and the famous check against delivery takes place. I tried to keep it within the time frame outlined by the Chair. I actually had prepared two versions for it, one that omit-

ted the sections that you already had decided to meet on. But in the final analysis this morning, I decided to speak to all of them because your motion was that I was to give an overview of my report. It may be just a few minutes longer than I'd indicated but not very much.

I would like to thank you very much for the opportunity to discuss this report with you. With me today is Jim McCarter who is the assistant Provincial Auditor.

First, I have to give you a brief explanation why this is a special report and not my annual report. According to the Audit Act, I can only lay my annual report before the assembly after the public accounts have been tabled. By mid-October we were not sure when the public accounts would be tabled by the Minister of Finance. However, by that time my report sections on accountability, value for money and follow-up on value-for-money audits in my 1998 annual report were finalized. As you know, I always follow up two years later. I, therefore, availed myself of a provision of the Audit Act which allows me to make a special report to the Speaker at any time on any matter that I believe should not be deferred until the annual report.

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As you know, the public accounts were tabled on November 1. I plan to submit my annual report to the Legislature on December 5, which is this Tuesday. That report will principally contain my commentary on the public accounts of the province, the activities of your committee and the operations of my office. Together with the special report, these two reports—that is, the annual report and the special report—complete my reporting responsibility for the year 2000 as outlined under the Audit Act.

This special report, like all my past annual reports, is intended and designed to be a catalyst for action to improve the administration of public funds and for better performance in delivering government services. We have made 118 recommendations in this report, and I am pleased to note that the ministries have generally agreed to take action on them and in some cases have already done so.

I would like to highlight certain value-for-money and accountability issues raised in my report to assist you in determining which sections of the report you may want to consider for review, in addition to the ones your committee has already selected.

Agricorp failed to manage certain of its resources with due regard for economy and efficiency. My office had to intervene to safeguard resources entrusted to Agricorp. The Ministry of Agriculture, Food and Rural Affairs and the board of directors did not have the necessary governance and accountability procedures in place for Agricorp to ensure that Agricorp's activities complied with legislation and corporate procedures, and I'll be happy to elaborate on that if you want me to.

For the child welfare services program, the Ministry of Community and Social Services did not have sufficient assurance that children in need were adequately protected. That was a reporting information problem. The

ministry had also not yet adequately linked the funding it provided to the assessed cost of the underlying services that were received from children's aid societies.

The Ministry of Consumer and Commercial Relations transferred Polaris, the project to automate the land registration system, to Teranet Land Information Services Inc in 1991. According to a recent consultant's study, the original cost estimate of \$275 million to complete Polaris could now be as high as \$1 billion, and though the original anticipated completion date was 1999, Teranet has indicated a potential project completion date of 2010. At the time of our audit, the ministry had not decided on a course of action to cope with this situation. They knew about it for about a year—they knew about it longer than that, but the consultant's report first draft was in November 1999.

The Ministry of Correctional Services operating expenses for correctional institutions have increased 19% in the last five years, despite a 6% decline in average inmate count. Some of the contributing factors to the expense increase have been the significant decline of offenders in the temporary absence program—it declined from about 25,000 offenders to about 4,000; rising average correctional staff sick days; and higher overtime costs. On the temporary absence program, we did a calculation in our report that if we had in place the same procedures as in Alberta, we would save about \$50 million a year. In other words, they have 20% of their offenders in this program and we have 8%.

While the ministry has acted on our 1993 recommendations to realize significant savings through the modernization or replacement of existing correctional institutions, it did not properly assess the alternative delivery options; in other words, how to do it. They knew the need, but not how to do it, before proceeding on a renewal project estimated to cost \$270 million. The estimated cost, included in the \$270 million, to build a new cooking facility to serve a number of correctional institutions had increased from \$5 million to almost \$10 million. As well, the facility's production capacity would be 1,000 meals a day short of meeting the needs of the institutions to be served.

Some 15% to 20% of inmates require some form of clinical intervention for mental disorders. In our 1993 report, we pointed out that many of these inmates should be in treatment facilities and not in jails and that correctional staff were not adequately trained to handle inmates with mental disorders. At that time, there was a commitment to take action. The Ministry of Correctional Services Act specifies that it is the responsibility of the ministry to ensure that inmates requiring hospitalization be properly placed for treatment. Given that the issues relating to mentally disordered inmates have been identified since 1993, we are concerned that the various initiatives taken to address their needs have yet to be implemented.

For \$576 million in pupil transportation grants, the Ministry of Education had not yet established satisfactory procedures to ensure the economical, efficient and equitable delivery of pupil transportation services. Related to

this, we also concluded that the Ministry of Transportation can and should strengthen its systems and procedures for ensuring that operators of school-purpose vehicles comply with legislative and regulatory safety requirements.

The Ministry of the Environment did not know the extent to which facilities that discharge contaminants into the environment were meeting current environmental standards and, consequently, where corrective action had to be taken to protect the environment.

A 25% reduction in staff at the ministry over the last few years had contributed to a 34% decrease in the number of ministry-initiated inspections conducted per year. For instance, inspections of municipal water treatment plants declined from over 400 to 190 per year over the last five years. Further in this regard, the ministry identified significant violations in 31% of the inspections it conducted in 1999-2000. The ministry relied extensively on facility operators to comply voluntarily rather than impose stringent and available enforcement measures such as issuing control orders or laying charges. This was of particular concern as one third of the violators were repeat offenders.

The ministry reported individual measures of effectiveness through its annual business plan. However, the business plan did not provide a comprehensive assessment of the overall impact of the ministry's efforts on the environment. For example, under its goal for cleaner land, the only measure reported on publicly was the percentage of PCBs in storage that had been destroyed. Also, under its goal for healthier ecosystems, the efficiency of processing approvals and environmental assessments were measured but the outcomes of these approvals were not measured. Outcome measurement, of course, is always a difficult area.

Regarding the Ministry of Finance's retail sales tax program, we found that administrative practices have improved from our previous audit. However, further improvements are needed to close the tax gap, particularly in the area of audit coverage, or more important actually, to analyze the areas which give rise to the tax gap and take steps to correct that situation.

We had the following major concerns from our audit of the Ministry of Health and Long-Term Care community health centres program: the ministry had not assessed the efficiency, effectiveness and ability of community health centres to provide quality care; and funding was not linked to expected services to be provided by these health centres.

The Ministry of Health and Long-Term Care needs to ensure that emergency health services are more patient-focused and that ambulance services better meet response-time requirements. According to the latest statistics made available to us, we found that 50% of ambulance operators did not meet established response-time requirements, which were based on 1996 actual response times.

In April 1998, the emergency services working group, with representation from the Ontario Hospital Associa-

tion and the ministry, reported that hospitals were requesting redirect consideration and critical care bypass at different occupancy levels and for different reasons and that there were no standard, monitored criteria to define what capacity is. For example, the working group reported that during the period it surveyed, hospital emergency departments in the greater Toronto area were not at full capacity 36% of the time when redirect consideration or critical care bypass was declared.

Furthermore, the entire ambulance system, when realigned through downloading to municipalities, may not provide a balanced and integrated system of ambulance services and may cost Ontarians an additional \$100 million in order to achieve the actual response times in 1996, which already weren't that good.

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Our major concerns with the Health and Long-Term Care health services organization and primary care network programs were:

- The health services organization patient rosters had not been adequately verified, even though in one verification they found, for example, that 8,000 people on the roster should not have been there.

- The Ministry of Health and Long-Term Care had not assessed whether it was receiving value for money for the more than \$20 million in annual funding it provided to the group health association in Sault Ste Marie.

- Expansion of the primary care network program, to include 80% of the eligible family doctors, was being planned—it was actually being planned for implementation as they went along—while evaluations of the pilot primary care networks were still not completed.

- Capitation, that is, per person funding rates, did not take into account factors that may affect the need for primary health care, such as patients' medical histories.

Of particular concern is that many of the major concerns arising from this audit were similar to the ones we noted six years ago.

Our major concerns with the Ontario midwifery program were: there was a lack of adequate information to determine whether the objectives of the program were being met, and the Ministry of Health and Long-Term Care had not assessed the cost-effectiveness of the current delivery and funding model for midwifery services.

In our audit of movable assets, we conducted our work at five ministries. We concluded that although ministries generally followed the process recommended by the Management Board Secretariat for acquiring information technology equipment and used the Management Board Secretariat standing agreements with various manufacturers for their equipment acquisitions, doing so did not ensure they received value for money. We also concluded that movable assets were not adequately managed, and identified a number of issues in that regard.

Regarding the Ministry of Natural Resources forest management program, we concluded that the ministry did not have sufficient information to adequately meet its obligation to annually report on the management of

Ontario's crown forests. In addition, the ministry has not yet completed its transition from directly managing many aspects of forestry to implementing appropriate oversight and monitoring procedures to ensure that forestry companies comply with legislation and ministry policy and to ensure that the long-term health of Ontario's crown forests is managed with due regard for economy and efficiency.

Regarding the Ontario Native Affairs Secretariat, we found that although the value of land claim settlements was adequately supported, improvements were needed in the timeliness of reporting and accountability by First Nations for the use of funding provided to them for land claim negotiations.

In its advisory role, that secretariat helps coordinate Aboriginal-specific programs delivered by other ministries. Expenditures for these programs exceed \$370 million a year. We concluded that the secretariat needed to improve the timeliness of, accessibility to and level of detail in its database of information in these programs.

From our follow-up on our 1998 value-for-money audits, I would like to highlight two, and those are in addition to the ones you have selected.

The Ministry of Community and Social Services renegotiated, in April this year, a number of improvements for taxpayers on the original agreement with Andersen Consulting, and I'm pleased to note that this committee played quite a role in that process. However, these improvements were limited by the fact that under the original agreement and the early opportunities initiative task order, Andersen Consulting was not obligated to agree to any changes other than to extend the contract. What was achieved is actually over and above what was in the contract, so that's a plus. However, the improvements notwithstanding, Andersen Consulting was paid \$95 million by March 31, 2000, although the project was significantly behind its original schedule and the project costs at that time exceeded the benefits—and the benefits grew by \$30 million.

Regarding the Ministry of Health and Long-Term Care, Ontario health insurance plan: of the 12 million OHIP cards in circulation in January 2000, 8.3 million were issued prior to 1995. For those 8.3 million cards, eligibility had still not been verified.

As to accountability, I would like to raise two issues. Firstly, an accountability regime to the Legislature, and therefore to the taxpayer, for the activities of the Ontario Innovation Trust is significantly impaired; some would say, virtually non-existent. By March 31, 2000, the government had flowed \$750 million to the trust, of which \$500 million was pre-flowed well before the funds were actually required. I urge the government to establish for these funds an appropriate accountability regime to the Legislature.

Secondly, we have sought over the last decade to have the Audit Act amended to enable my office to assist the Legislature in holding government service delivery agents better publicly accountable for achieving value for

money for the \$30 billion these agents receive annually as transfer payments from the government.

Over four years ago your committee unanimously endorsed our proposed amendments to the Audit Act. Since there has been no action on this issue since then, I respectfully recommend that this committee revisit this subject.

Overall, this special report on accountability and value for money deals with a significant number of issues where corrective action needs to be taken. We look forward to seeing positive and timely results from ministries' actions on our recommendations.

I wish to express my sincere thanks and appreciation to the staff of my office for the solid and professional work they have put into this special report.

I'd be happy to answer any questions.

The Chair: OK. It's 10:28, so I would suggest a half-hour for each caucus. Why don't we start with 20 minutes per caucus initially, and then we'll see what you want to do for the last half-hour. We'll start with the Liberal caucus: Mr Gravelle and then Mr Peters.

Mr Michael Gravelle (Thunder Bay-Superior North): Mr Peters, I want to ask about the Andersen Consulting issue. Obviously, what you said was in terms of Andersen Consulting still receiving a disproportionate amount of the benefit pool in relation to its work effort. I take it from what you said that there's no way of controlling that because of the way the contract was originally signed by the government with Andersen. In other words, despite the fact that part of the agreement was changed, they can't change the fact that they've paid them more than they should. In essence, I think that's really what you're saying, that they've been paid benefits they probably shouldn't have been paid, ultimately, if it was an appropriate agreement. Is that fair to say?

Mr Erik Peters: I would have some difficulty with the word "should," because that was an agreement signed between the government and Andersen Consulting, and Andersen was within its contractual right of enforcing the clause. What I am saying is that the improvements that were achieved are remarkable in light of the fact that Andersen didn't have to agree to them.

Mr Gravelle: Right, but in essence the original agreement, which I think we've all been pretty critical of, and I think it's fair to say you've been critical of it as well, obviously—there's nothing much we can do about that at all. That agreement is locked in place.

Mr Erik Peters: Of course the other choice that was available to the ministry was cancellation and re-tendering and all those things, which the ministry, to the best of my knowledge, certainly weighed but considered that the cost of doing so would be too high.

Mr Gravelle: If that could have happened, would that have been something you would have recommended they do?

Mr Erik Peters: We didn't evaluate the alternatives. We did suggest that it be given consideration.

Mr Gravelle: Do you have concerns about the fact that under the revised agreement they expanded the cir-

cumstances under which payments may be made outside the fee cap? Do you have a number of concerns about that? In other words, the \$180 million is a locked-in figure, but then there is the amount they can charge out of that fee cap. You make reference to some of those concerns, but are they serious concerns about some of the extra costs?

Mr Erik Peters: The serious concern originally was of course that these extra charges were very ill-defined or very poorly defined, so they didn't know what could be charged outside the cap. I think what has happened under the re-negotiation is that there is now a better definition of what can be add-ons to the cap.

Mr Gravelle: Wasn't it part of the original agreement that they did not have to pay Andersen until the benefits exceeded the costs?

Mr Erik Peters: Under the original first agreement and under the terms of what was called "common-purpose procurement," that was the fundamental idea of that process. However, that was fairly quickly set aside by the ministry through the early opportunities initiative task order, and the ministry there agreed they would pay up front.

Mr Gravelle: But they didn't have to.

Mr Erik Peters: Under the original agreement, they didn't have to, but at that time they agreed to do so.

1030

Mr Gravelle: So, then, as of this stage, the \$30.5 million is the difference in terms of the actual costs exceeding the benefits.

Mr Erik Peters: The costs exceeded benefits by \$30 million. But \$95 million had been paid to Andersen Consulting for their work.

Mr Gravelle: Just a clarification too: in your report last week, that project's cost pool totalled \$146.7 million, \$117.4 million to Andersen Consulting. It seems to me that would be two fiscal years of payment, then, because it was \$60.5 million that Andersen got paid in the last fiscal year. Is that correct?

Mr Erik Peters: They are running on a cumulative basis. In other words, the chart that you find on page 265 of my report is on a cumulative basis. That's the project to date, if you will. So out of the amounts paid, you see the end of the consulting costs, which was \$95 million, and by the year before, if the number was \$65 million—I don't recall who was talking to them.

Mr Jim McCarter: The number I have is that at March 1998, \$15 million was paid. At July 1999, I think when we did the special report, \$55 million had been, and at March 2000, \$95 million had been paid.

Mr Gravelle: I guess what I'm looking at is that \$117.4 million was paid to Andersen Consulting. I'm looking at the figures on page 260 of the report, just before "Current Status of Recommendations." The cost pool total is \$146.7 million: \$117.4 million to Andersen Consulting and \$29.3 million to the ministry. The benefit pool totalled \$116.2 million, which of course makes up for the cost pool exceeding the benefit pool by \$30.5 million. Then you say, "Payments to Andersen Consulting

totalled \$95.6 million." I'm trying to get my head straight around this, the \$117.4 million to Andersen and then the \$95 million—

Mr Erik Peters: The \$117 million dollars is what Andersen charged to the project. The \$95 million is what they were actually paid in cash. So there's another \$22 million. But also, if you take a look at it, there is a distinction made between the early opportunities task order, which gives them the right to pay, and all other task orders.

The Chair: There's a chart at page 264.

Mr Gravelle: Yes, OK. Can you just give me the totals again for the three fiscal years, then?

Mr McCarter: The March 1998 figures I had were that \$15 million had been paid by March 1998. At July 1999—I think that's when we did a special report for this committee—it was \$55 million, and at March 2000, it was \$95.6 million.

Mr Gravelle: Mr Peters, if I could ask, is there anything else that could be said in terms of whether the early opportunities initiative should be in place or should not be in place? It was an adjunct to the original agreement, in essence.

Mr Erik Peters: It was certainly permissible under the original agreement for the ministry and Andersen Consulting to agree to different terms under these individual task orders as they went along. But nevertheless it was done. There was a question raised as to why it was done at the time. We raised that in our 1998 report, but I think it's a past event where the paying carries on.

Mr Gravelle: What I take from this to some degree is that the original agreement that stated that Andersen would not be paid until the benefit pool exceeded the cost pool in some ways was a—how do I put this without being the least bit rude? It's almost a useless thing to put in, in the sense that it seems clear there was no real intention of sticking to that. On the surface, it sounds like that was a serious part of the agreement that actually was never meant to be taken seriously, because obviously they were going to be setting up a way to pay Andersen in advance. Why would you put that in any agreement if you don't intend to honour it?

Mr Erik Peters: Well, it was originally in the agreement because under the common-purpose procurement guidelines that were issued by the government of the day, that was actually the concept that was supposed to have been followed. The fact was that these guidelines were not followed.

Mr Gravelle: So the early opportunities initiative was a way to get around the original guidelines. So the original guideline was that we certainly shouldn't pay them until there's some benefit on the benefit side. That sounds appropriate. But then we've got to find a way to pay them somehow, so we'll set up this early opportunities initiative.

Mr Erik Peters: That's right.

Mr Steve Peters (Elgin-Middlesex-London): Mr Peters, in your opening remarks you said that your office had to intervene to safeguard resources entrusted to Agri-

corp. I'd like to understand, were you as the auditor asked to look into the affairs of Agricorp, or was this on your department's own initiative that you went into Agricorp?

Mr Erik Peters: Agricorp was selected on the initiative of my office.

Mr Steve Peters: You weren't asked to look into what was going on at Agricorp?

Mr Erik Peters: No. I took a look at Hansard, and I think the way the minister described the events on November 22 was correct. Just to give you a little bit of background on this, as you know, I am the auditor of Agricorp's financial statements. What had happened in our financial statement audits is that we continuously ran into problems of where to allocate expenses. The ministry is right. When we brought it to their attention, they corrected it. To allow us to give a clean opinion on the financial statement of Agricorp, these situations were corrected as we were going along.

But we became increasingly concerned about a wide range of issues in these audits. It started with some of the travel expenses that were very funny. There were contracts struck that we had questions about. In our risk analysis, which we normally carried out, in about June of last year we decided there were enough flags here that we should conduct a value-for-money audit of this corporation. We initiated the audit. Once we initiated the audit, the findings became very significant. In fact, they became so significant that we suggested to the staff of the ministry that they may want to consider getting the minister involved, and then they did.

Mr Steve Peters: You made reference to a November Hansard, but in a previous question that was asked in the Legislature the minister said the ministry asked you to look into Agricorp. But you've just stated that you went in as a result of your standard audits.

Mr Erik Peters: That's correct. That's why I say that we found the remarks on November 22 were much closer to the facts.

Mr Steve Peters: On page 25, there are a couple of references: "However, legislation prescribes, and a legal opinion confirmed, the allowable uses of the fund, which do not include administrative expenses."

Later on, on page 25, "Agricorp engaged an investment adviser, without competition, for a minimum annual fee of \$400,000. The advice ... was of little value." Then you end that statement saying that "included investments the corporation was legislatively prohibited from purchasing."

Then later on, on page 36, it says, "The adviser repeatedly recommended a diversified portfolio that would include stocks and other related instruments Agricorp is not allowed to purchase under the Agricorp Act."

I'm trying to understand those three comments on pages 25 and 36. Are you suggesting—what I'm trying to understand is, are these illegal activities that Agricorp was engaged in?

Mr Erik Peters: Let me just gather my thoughts as I answer this question, because it became technically very

complicated. For the whole program under which Agricorp operates, there are two pieces of legislation that actually regulate it, a federal piece and a provincial piece. I'm not 100% sure in my own mind right now which piece is what, but in any event the overall is that Agricorp can invest these funds that it operates in government securities or government-guaranteed securities. In other words, largely that would be bonds, debentures, which are guaranteed. Therefore, there's no provision made for equities and stocks and this sort of thing.

Why it was not illegal is that virtually every time the situation occurred, we stopped it. My office, in our annual audit, stopped these transfers that were supposed to be made. The idea was that the administrative costs were to be carried by the taxpayer and the funds were to be shared, the premium costs, by the insured people and the government. So in all of these circumstances we stopped the transaction. If the transaction had been completed, it would have been contrary to the law.

Did I make this point clear?

1040

Ms Marilyn Mushinski (Scarborough Centre): Mr Chairman, for clarification, who determines what is legal and what is illegal? And if it is illegal, at what point would, let's say, the police or the crown be involved? Is it the auditor who determines what's legal and what's illegal?

The Chair: Could you answer that?

Mr Erik Peters: What we did is we asked Agricorp to justify their wish or their proposal by legal advice. When they got the legal advice, quite frankly, it didn't look right.

Ms Mushinski: I'm not concerned about that so much as who determines what's legal and what's illegal, and at what point—if you determine that you suspect something is illegal, do you then involve the police?

Mr Erik Peters: No. We first involve lawyers, and that's what we did.

Ms Mushinski: OK. That's what I needed to know.

Mr Erik Peters: That's what we did, and we asked Agricorp to engage a lawyer to give them an opinion as to where they stood. Once that lawyer opined—and that lawyer was engaged on our instigation, but by Agricorp. Once that lawyer said, "Hey, what you're doing is wrong," then they stopped and the whole thing was fixed.

Ms Mushinski: My apologies. I just needed—

The Chair: OK, I'll add two minutes on to your time, Mr Peters. Go ahead.

Mr Steve Peters: On page 27 of your report, Mr Peters, you make reference to a long-term bond that was purchased in May 1999. That bond then was sold in September 1999. You comment that by using these funds inappropriately, Agricorp violated its fiduciary responsibility.

I'd like to know—it's a two-part question—if you could give me the date, or, if you can't today, if you could provide me with the date that that bond was sold in September 1999. I'd also like to know, what exactly was inappropriate, in your words, about that bond?

Mr Erik Peters: There are two questions here. The first one: details of the transactions you would have to obtain from Agricorp. Under section 19 of the act, I cannot provide you—we said what we have to say in this particular paragraph. So if you wanted details of the transaction—actually, the key to your second question, the key to the answer, rests in the first and last sentences of this paragraph.

The first sentence says, “Agricorp has a buy and hold to maturity strategy for long-term investments in the Ontario crop insurance fund.” In other words, we buy securities and they are held to maturity. What happened here is that they incurred a loss, even though—and that’s where the last sentence comes in—“there was no need to sell these investments to meet indemnity obligations.” In other words, it was a poor investment decision. They decided to sell bonds although they didn’t have to do so, in spite of their strategy to hold them until maturity.

The Chair: Mr Cleary, and there’s about three or four minutes left.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): Thank you, Mr Peters. Was that investment done by the board of directors, or how did that take place at Agricorp?

Mr Erik Peters: They actually have within their management an investment group that is supposed to look after the investment of these various funds. There is oversight supposed to be carried out by the board. I believe there was also—I’m going by memory—a finance committee somewhere in this, but we found that they didn’t meet or didn’t exercise their function.

Mr Cleary: When was the minister notified about these problems?

Mr Erik Peters: The meeting with the minister took place, I think, at the end of our field work, which we identify as about March, but it was only a very high level. He was concerned what was going on, and it was a very high level; we didn’t go into much detail at that particular meeting.

Mr Cleary: I know this is a big issue in rural Ontario. I just got off the telephone with some people from the west end of my riding and the east end of the next riding. They’re not going to let go on this. They’re out for blood and they want to see these people who made these investments dismissed. That’s the way a lot of people in the agricultural community feel. The other thing they want to know for the record is the percentage of dollars that were invested that were provincial funds and agriculture community funds—the breakdown of the pot of money. I guess that’s not a fair question.

The Chair: Do you have a breakdown of the money? Whose money was it?

Mr Erik Peters: Whose money was it? The investments were certainly the money of the funds that are set aside to ensure crops, so it is the fund’s money. The difficulty we had with Agricorp was that the administrative costs are to be carried by the taxpayer and the risks of the insurance funds are to be carried by the

funds. So the investments are the funds’ money in that regard.

I want to come back to one I related to you previously. It is fairly unusual for us to actually meet with a minister. The meeting with the minister was actually caused by the staff because I made a suggestion to them that maybe it was worthwhile, because we were not sure. We don’t know in any ministry how the information flow actually is between the bureaucrats and the minister on our audits. We meet in our audits, as we carry them on, with the bureaucrats, with the staff of, in this case, Agricorp and the ministry. We keep them abreast of all our findings and they are pretty well in the picture of what we have found. Now, how much they carry forward then to even the deputy minister and beyond really, that’s their own procedure and within that I’m not getting involved.

The only reason we actually wanted to deal with the minister at this point was because this question of legality was raised with us and by us. The staff actually raised the question as to, “What legal authority are you looking for?” and we said, “What legal authority do you have?” When we discussed what legal authority they had, we found that there was a gap. That’s why the ministry agreed with us to actually engage a lawyer to take a look into the situation.

The Chair: We’ll have to leave it at that for now.

Mr Erik Peters: Have I confused you totally?

Mr Cleary: No.

The Chair: We may get back to it later on. Ms Martel.

Ms Martel: If I understand you correctly, this was at the end of your field work, and so the transactions you were concerned about would have been going on through the whole process of your audit. Your meeting with the minister to determine the legal authority under which these were happening was actually at the end of the audit. Is that correct?

Mr Erik Peters: At the end of the field work.

Ms Martel: It would have been about March 2000?

Mr Erik Peters: Yes; it would be before March 2000. But we would have advised the staff of all our findings as we went along, and they were fully aware.

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Ms Martel: When did you start to do the audit?

Mr Erik Peters: This audit was started in about October 1999.

Ms Martel: So for six months this process unravelled. You must have been concerned even earlier than March about some of the transactions that might have occurred had your office not intervened.

Mr Erik Peters: Very much so, and we raised them. It was an audit of Agricorp, so our primary auditee was the staff at Agricorp itself. We raised these issues with the management as we went along. We raised them to the board level toward the end of the audit. We need to have our ducks lined up, if you will. We have to discuss with staff because you have to give staff the benefit of the doubt: “This is our finding. What else do you have? What are the facts? Are we seeing it right?” We have to do a

due diligence exercise in our audit, and that was certainly carried out. We reached our conclusions once we had all the information gathered, and that takes time.

Ms Martel: During the process of the audit, were you not taken seriously by the staff or by the board?

Mr Erik Peters: I think we were. The staff did take us seriously but they were, as you always find in audits, fairly defensive. Ultimately, that's why in our report we also looked at the role of the board of directors and the role of the observer by the government on the board of directors. I should tell you that was a major concern we had at that point. The ministry is represented by a person at the assistant deputy minister level on the board. The question was—these people are sitting in these board meetings. What do they do? In fact, there is a fundamental question here on the whole governance structure: What guidelines are there for people who are supposed to be observers on board meetings? Do they have the right to inquire? Do they have the right to make comments that the information presented may not be as it should be? Where exactly is that process? There is weakness in the system on this one, because observers very often do not have a very well-defined role on this. But this has been going on for years, and somebody must have noticed.

Ms Martel: But this representative is at the ADM level, so senior management in the ministry.

Mr Erik Peters: That's right.

Ms Martel: Is it not clear in either the legislation or the regulations what instruments are available to Agricorp to use for investment purposes and which are forbidden? Is this the problem?

Mr Erik Peters: No, they are very clearly stated.

Ms Martel: In legislation or in regs?

Mr Erik Peters: In legislation.

Mr McCarter: If you want to turn to page 26, "Legislation restricts all of Agricorp's investments to highly liquid, high-grade money-market instruments, such as federal and provincial bonds, deposit notes," etc.

Ms Martel: So the board and, frankly, the ministry observer should have been aware of that?

Mr Erik Peters: That's quite right. This is one of the things—if the information percolated up to the board level. One of the difficulties this organization had was that, in retrospect, we found that the information that was raised to the board level was extremely well controlled. In many cases they were informed after the fact or they may not have been informed at all. That's why we raised the questions of governance and accountability, because, having been a board member myself, if I had this dearth of information coming at me I would have raised a significant number of questions and said, "Why do you come forward to ask only after you have signed a contract?"

The Chair: When you say you've been a board member, it's not of Agricorp, just a board member.

Mr Erik Peters: Not of Agricorp. Absolutely. No, I couldn't be a board member of any Ontario organization.

The Chair: I understand. I just wanted to have it clear.

Ms Martel: Just so I'm clear, the individual transactions, especially the ones you had concerns about, would not have been made available to the board unless board members specifically asked for that. Is that what we should assume?

Mr Erik Peters: I really don't know how much information was made available to them. The information that was provided should have raised flags in two areas: the quality of the information that was provided and also what was going on that they didn't have any information on. If you look at our report, again on page 27, for example, we state, "The corporation's board had not approved the speculative trading strategy. We were informed that management had obtained verbal approval to proceed from two of the three members of the board's audit and finance committee. However, this committee functions in an advisory capacity only and did not have the authority...." They also held a "strategic and tactical committee comprising board members...." The "monitoring was ineffective since neither of these committees ever met regarding the speculative daily trading activity." So it looks like there were significant problems in the information flow, not only as to the quality but also as to the timing of the information.

Ms Martel: After having been there and having had a discussion with the minister, are you convinced that the problems are fixed here? I raise that because I've been contacted too in the last week by a group of farmers in Huron county, 42 of them, who continue to have really serious ongoing concerns about Agricorp and are using the terminology of fraud, which is a pretty serious term to be using. Their assessment of even the current structure is that it's not working.

Mr Erik Peters: That I can't comment on because after we raised this to the top level, the board members were replaced on the board of directors—I'm not sure how many—and also a new chief executive officer was engaged. Also other changes were made in the senior management as part of it. So that's all I can tell you.

Ms Martel: In terms of your other concerns around the quality of information, the timing of it, who has access etc, we'd have to ask the ministry that.

Mr Erik Peters: That's right.

Ms Martel: You wouldn't have a sense of what they have done in response to those issues as well.

Mr Erik Peters: That's right. Whether they have redefined the role of the observer and how communication flows now between management of Agricorp, the board of Agricorp and the ministry staff are questions that have to be answered by the ministry.

Ms Martel: Let me ask you a question about the emergency health services for the Ministry of Health. In the audit report—and this is in your overall audit conclusions—you mention that the ministry estimated that the transfer of ambulance services to the municipalities would cost about an additional \$53 million in the year 2000, and some of the one-time and compensation costs are noted. But if I recall, your estimate is closer to \$100 million. I wonder if you can give the committee some

idea what the ministry is basing their figures on and what you're basing yours on.

Mr Erik Peters: If you want to follow me to page 161, where we outline the various components that are involved in the number that comes out to slightly higher than the \$100 million—

Ms Martel: I don't see it on page 161.

Mr Erik Peters: The first one is in the first bullet, where it says, "The ministry estimated that an additional \$40 million annually and \$11.6 million in one-time funding would be needed to meet the current response time requirements." One of the things I was careful to do was to link the \$100-million requirement to meet the 1996 response times. The other number comes in the second bullet on the next page, "The ministry estimated that, due primarily to the transfer of land ambulance services to municipalities, the cost of providing the existing level of service would increase by approximately \$53 million in the year 2000." So it was really adding together the \$40 million annually plus the \$11-million one-time cost, giving you \$51 million, plus this \$53 million, which gives you about \$106 million. So that's where the \$100 million comes from.

1100

Ms Martel: Sorry, just to clarify, the \$100 million is an annual additional cost? Because some of those items are one-time.

Mr Erik Peters: Right. It includes \$11.6 million one-time.

Ms Martel: You feel comfortable in that it's probably \$100 million, give or take the \$11 million in there? That's an additional cost that was not anticipated at the time of the download.

Mr Erik Peters: Yes, it would be close to \$100 million. It's either over \$100 million or close to.

Ms Martel: Do you think that's going to get higher?

Mr Erik Peters: That would be speculative on my part. Those were the numbers the ministry provided to us at that time.

Ms Martel: When you looked at dispatch times—and this is on page 169, before the recommendation—you mentioned that the ministry was aware that the response times were not being met but they were taking minimal corrective action, and then the new regs under the Ambulance Act no longer specified a time requirement for dispatch. I understand, if I look at the ministry's response, that how they are doing that now is to have this performance agreement between each dispatch centre and the ministry, so there will be some new standards set there. My concern is, (a) is this going to work, and (b) will you not end up then with different standards across the province in terms of dispatch time?

Mr Erik Peters: It's a very good question to ask the ministry. We just had to stop at the point where we said, "It used to be there; it is no longer there." You now have a new mechanism in place and it's a mechanism that we did not audit because it was only put into effect as of May 1, 2000.

Ms Martel: Did the ministry give you any idea—because you had already expressed a previous concern about the monitoring of the previous dispatch time—of how they were going to monitor the new agreement to guarantee that the times would be met?

Mr Erik Peters: I again have to take you back to the May 1 date.

Ms Martel: You were done.

Mr Erik Peters: At that time, we were done. The audit was done. We just brought it in to update the situation.

If I may make an overall point on this one, in our approach in all the statements that I've made, we have said that if you consider a change in program delivery, that should be based on a sound analysis of what is currently going on in that program so that a clear determination can be made as to whether the program can be continued as it is, whether it should be modified, in what format it can be outsourced or whether it can actually be totally—you know, that the government should get out of the business that is there. One of the concerns here is that we clearly have a service that is not performing as well as it did in 1996. That is now being reorganized and, as we said, some of the municipalities have expressed concerns about that.

Ms Martel: I wanted to ask you a question about the Ministry of Correctional Services, the 19% increase over that five-year time frame. You have attributed it to three areas: the decline in the temporary absence program, the sick days and the higher overtime cost. Do you have a breakdown of how that 19% works against those three categories?

Mr Erik Peters: No, we don't, because the system doesn't have that.

Ms Martel: It doesn't allow for it?

Mr Erik Peters: Those are the key areas that we could identify. The temporary absence program would be speculative, how much it would be, so we can't identify it. But we did identify clearly the numbers of the overtime. Of course, there is a linkage between people away on sick leave and overtime. If somebody is away sick, somebody else most likely has to work overtime to cover off.

Ms Martel: Did you ask the ministry why there had been such a change in their temporary absence program? What was the reason behind that?

Mr Erik Peters: The reason is actually stated in their response. I'm trying to find the page.

Mr McCarter: Page 85.

Mr Erik Peters: They just said public safety is top priority and they felt there was a risk to the public.

Ms Martel: Do they have any evidence to support their concern that people who were using this program were more likely to reoffend, to be in trouble in the community etc? Did they provide you any evidence of that?

Mr Erik Peters: Actually, our findings were the opposite of that. Our findings were that there was fairly little risk reported by the particular provinces that had

applied this program far more extensively than Ontario did.

Ms Martel: But your assessment was not based on Ontario numbers, though, in terms of how the program worked. Should I be clear about that? You were basing it in terms of how it worked elsewhere and whether or not it was a problem, is that correct?

Mr Erik Peters: No, we said on page 84 that our examination revealed that Ontario's success rate with the temporary absence program over the eight years remained unchanged at 97%, with failures attributed mainly to technical violations such as missing curfew. So we did assess the Ontario situation.

Ms Martel: My apologies.

Mr Erik Peters: No problem.

Ms Martel: Do I still have some time?

The Chair: You have three minutes left.

Ms Martel: I wanted to ask you about the MOE, particularly the decline in staff, but more importantly, the decline in inspections. Your recommendation on the bottom was that, "The ministry should explore options and develop procedures to increase its inspection coverage."

Mr Erik Peters: What page are you reading from?

Ms Martel: This is 119. Does that mean increase the number of staff?

Mr Erik Peters: That would certainly be one of the options. Other options would be contracting out, finding people who do it, who are specialists, for example, in certain types of inspections. It's a wide range of options that could be available to the ministry.

Ms Martel: It is your view that the decline is clearly linked back to manpower or a lack of human resources.

Mr Erik Peters: That is certainly one—

Ms Martel: It's not a question of the strategy they're using to determine their inspections, it's a question of people power.

Mr Erik Peters: It's a question of people power and also—well, it is a part of how to determine inspections, because we have some 220,000 certificates of approval out there, some of which were issued as far back as 1957, and certainly since 1957 environmental standards have changed. For example, an organization that received its certificate of approval then may now be found, on re-examination of what they're actually doing, to be a lot better or a lot worse in contaminating the environment because of new factors that are found.

This is a constantly changing area. As you know, in one of our previous reports, they internally had identified something like close to 300 air pollutants, where their own scientists felt their standards were out of date on that and had to be brought up to date. Even a very simple step that we conducted, for example, comparing our standards through the Internet with some of the government standards in some of the states in the United States, gives you a very clear picture in some areas that we have to do work in that area, or the government has to do work in that area.

The Chair: We'll turn to the government side now.

Mr John Hastings (Etobicoke North): Erik, on the Agricorp thing, you said there was a finance committee or subcommittee set up which did not meet?

Mr Erik Peters: Yes.

Mr Hastings: Or never met?

Mr Erik Peters: To the best of our knowledge, we said they didn't meet. We didn't find any evidence of them meeting.

Mr Hastings: There was nothing in the board minutes about it?

Mr Erik Peters: No.

Mr Hastings: Were they required to have an executive investment committee that would be made up of board members and maybe your CEO and outside people? Did this corporation not have specific bylaws on how it was to operate?

Mr Erik Peters: They may not have. I can't answer that question right off the bat, but one of the facts we did point out is that the board clearly couldn't agree even on what they were supposed to be doing. We pointed out that they had six vision statements in three years of what they were supposed to be doing.

Mr Hastings: I've seen that.

Mr Erik Peters: From the vision, virtually everything flows, and if the board cannot agree what they were supposed to be doing there, then there is a governance problem.

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Mr Hastings: Did they ever have a seminar at the start of their operation as to what their role was? Did you ever find anything in the minutes of their meetings that indicated—aside from their exercise in strategic planning, did they ever have an initial meeting? Did you see anything in board minutes as to the discussion of what their role was, is or was going to be?

Mr Erik Peters: I have difficulty answering that question because we didn't particularly examine, for example, what the board orientation program looked like, which I believe every corporation should have, to just tell the board members what to do. We didn't examine that particular—in the board minutes that we saw, we were aiming more at the decision-making process rather than the overall orientation and training of board members process.

Mr Hastings: Did you get the impression from the financial information and the way information got reported to them that there was a varied confusion as to what their role was in anything, particularly the handling of finances and investments?

Mr Erik Peters: Yes, very much so. If I could lead you back—I'm trying to find the page. We did a survey of board members and we reported on that.

Mr McCarter: On page 43. "Board ... members indicated they had not been given written explanations of their role and responsibilities" etc. We list a number of things on that page.

Mr Erik Peters: We surveyed the board members. They said the governance structure was not working well: the size of the board, conflicts among committees,

lack of accountability, also that lines of authority and communications were unclear, including the roles and responsibilities of individual directors and committees. That's the first bullet.

They were not given written explanations of their role and responsibilities, including the expectations, terms and conditions of their appointment, the role and responsibility of the board chair was not defined and they were dependent on management for information relevant to the proposed courses of action requiring board approval. They were not provided with adequate information upon which to assess strategic issues or alternative courses of action. That was why one of my concerns was the minutes. We have an observer there. Why was that not noted? Why does the observer not come to the same conclusion as the board members that "This is the board member speaking"?

Mr Hastings: Did you or your staff interview the ministry rep?

Mr Erik Peters: Yes, I did.

Mr Hastings: What kinds of statements—or are they privy to confidentiality? Was it pretty clear in your interviews or your staff's interviews with this individual that he or she didn't have a very strategic direction on his or her role?

Mr Erik Peters: I would have on the record, and even off the record, difficulty answering that question. I'd prefer not to.

Mr Hastings: Silence speaks volumes.

I'd like to probe a little more about the investment activities. It clearly states that it's high-grade government bonds, treasuries, I guess GICs?

Mr Erik Peters: Yes. They're officially guaranteed.

Mr Hastings: What is this commodity that's called the project involving optional units?

The Chair: What page are you on?

Mr Hastings: It comes up on the bottom of page 31, the "optional unit coverage" project. Does that involve some kind of modified risk in commodity trading? What does that mean?

Mr Erik Peters: What it means is, if a farmer planted the same kind of crop in various locations, he can insure by location as opposed to the crop as a whole. The concern about that is that normally, because insurance works on the basis that there will be gains and losses, you try to insure the whole of the crop to prevent the—because the premium determination is really on everybody's crop of that particular one in the province.

The idea was that, for example, if a farmer knows that every three years these fields get flooded and struck by thunderstorms or something, he could then insure only those and leave the other stuff intact. So they were looking at this optional area, and we found that it was not particularly well done, if I remember correctly.

Mr Hastings: In what regard? In what way? They didn't have the indicators to measure the variables that would create these adverse conditions—cyclone weather, insects?

Mr Erik Peters: We were concerned that if the program is actuarially sound, it would not monetarily benefit producers. If it is not actuarially sound, there is an increased risk exposure to the Ontario crop insurance fund. So we felt they really had to do an actuarial analysis to determine whether this was a good program.

The Chair: Julia, did you want to—

Mrs Julia Munro (York North): I only wanted to suggest, as you did, that in terms of insurance, obviously the theory is that there are good things and bad things and that it levels out. The problem also for the individual is the fact that anything like this kind of project forces the premium up to the point where it then becomes not even a viable option; as you started to say, that it will have an impact on the intended beneficiary because of the fact that the premiums then would have to be so high if you're allowed to take only those areas where you would consider there to be the high risk.

Mr Erik Peters: Yes. That's exactly right. You're right on. You put it much better than I did. What we're seeing is, if it is actuarially sound, in other words, if the actuary says you're only insuring the high-risk stuff, the premiums go up. If it's not actuarially sound, then there is an exposure to the fund itself.

Mr Hastings: My final question relates to—the CEO, I assume, or the board chair was to make some contact with the Ontario Financing Authority because the OFA is the umbrella agency that was to provide them with advice, as you mention on page 36. You make a comment there, on the top, before your recommendation, that they didn't contact the authority for advice.

Mr Erik Peters: Yes. That is the memorandum of understanding that the corporation has with the ministry, to use that service. In the preceding paragraph we question paying such a high price for advice that is of little value. We're saying you have a memorandum that says here that you have the financial experts of the government—maybe I shouldn't go out of line on this one, but I think our OFA has quite a number of good people who can give that advice; it's a good organization—and they were not availing themselves of it.

Mr Hastings: Did they ever, from your estimation?

Mr Erik Peters: In the report we're saying they haven't. We are saying they had not contacted the authority to obtain its advice, in the last sentence before the recommendations. That's why the last bullet in our recommendation is, "Consider obtaining investment advice from within the government." I think it would appear to be one of the prudent things to do.

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Ms Mushinski: I have some general questions about auditing business practices. The first question I have of you is, how long have you been the Provincial Auditor?

Mr Erik Peters: Since January 1, 1993.

Ms Mushinski: Since 1993, have you identified questionable business practice that has lead to criminal investigations?

Mr Erik Peters: Offhand, I cannot recall a single—no, we have not run into a situation where we had to turn

files over to the police for investigation. Our policy is that if we run into something that should be turned over to the police, we would do so.

Ms Mushinski: So that is a requirement within the act.

Mr Erik Peters: That is a policy that I like to follow.

Ms Mushinski: I'd like specifically to turn to your comments on, actually, the Ministry of the Environment, but it has to do with your overall comments with respect to assessing the business plans. Every ministry has a business plan. In assessing those business plans, you clearly look at how the ministries measure outcomes. Correct?

I don't know if you look at specific programs within the business plans and apply the same principles of measuring outcomes to those programs as you would to the overall business plan. The reason I'm asking this is because I can certainly recall when ministers, back in 1995, were charged with the responsibility, and I happened to be in cabinet at the time. One of the biggest challenges was developing a business plan that had those measurable outcomes. I'm just wondering how you, yourself, assess those measures.

Mr Erik Peters: The first step, actually, that we conduct in an audit is that we take a look at the business plans. We use them to develop criteria, because the business plan really outlines the expectations that the ministry sets for itself.

Ms Mushinski: What did you do before 1995, when ministries didn't have business plans?

Mr Erik Peters: Certainly 1995 helped, but we actually followed the same process all along, even after the business plan. That is, we sit together with the senior management of the ministry and we agree on the criteria against which we will audit, with the management of all programs.

Ms Mushinski: I assume those criteria are applied equally across the board for any program that you are auditing. Is that correct?

Mr Erik Peters: No, it's tailored to the individual ministry. It's tailored to each one. The process is standard; the application is tailored.

Ms Mushinski: That's understandable. I guess my question really gets back to what you said in your original submission on the difficulties in measuring outcomes: how do you do it?

Mr Erik Peters: There are a lot of qualitative outcomes. There are really three categories of performance: controlling your input costs, in other words, what it costs you to do something; measuring output—we issued so many drivers' licences, or whatever you do—and then outcome, which is far more difficult, because when you get into outcome, for example, if you issued the driver's licence and your process was tightened up, how many accidents did you prevent because the drivers are now better trained? That's almost immeasurable.

Ms Mushinski: How do you measure the happiness of the customer, in other words.

Mr Erik Peters: In a variety of ways. There are satisfaction surveys, for example, done by various organizations.

Ms Mushinski: Then can I specifically go to your speaking notes, where you say on page 3, fifth paragraph, that "under its goal for cleaner land, the only measure reported on publicly was the percentage of PCBs in storage that had been destroyed. Also, under its goal for healthier ecosystems, the efficiency of processing approvals and environmental assessments were measured but the outcomes of these approvals were not."

Could you explain that? Can I assume from that that the ministry did not have measurable outcomes as a component of its business plan for this particular program?

Mr Erik Peters: It has a reporting responsibility to report on the state of our environment in the province of Ontario. One would expect in the certificate of approval process they are carrying out, what impact does this process have on the environment? In other words, outcomes would be less contaminants put into the air, water or soil of the province. That would be certainly an outcome that you would have. I agree with you that it is a difficult area to measure, particularly because it takes so many factors into consideration.

Ms Mushinski: Right. As you have said, especially in the area of an imprecise science, I guess, where there are constantly changes in scientific applications to environmental purity or whatever. It isn't an exact science, so what criteria do you use? Do you draw conclusions from other jurisdictions? Do you do comparisons?

Mr Erik Peters: We do quite extensive research before we go into it. We certainly use the research that is available within the ministry itself. It is a collaborative effort prior to commencing our audit. For example, there is a rating that says that Ontario, among the 50 states, or whatever it is, and our provinces, ranks number whatever as a polluter. We would look at that report and ask, how did they determine that? How do we, as a province, then let that determination influence how we structure our activities to protect the environment?

Ms Mushinski: My final question is, in making these recommendations and suggestions to ministries, especially on the environment, do you anticipate that you will get responses? How long do you give to get responses? Has any action been taken with respect to your recommendations?

Mr Erik Peters: Firstly, we allow them, of course, to print their response. The time we give them normally—we work together with the ministry staff as we go along. It is a percolating up process. We deal with our findings, say, at the director level. Then we deal with the ADM level. Normally, once we have finalized what is going on for factual clearance, we give the ADM level about three weeks to frame a response. That is after we have already worked with them significantly.

After we get their response, there are a lot of discussions that take place on the responses. Normally, that's about another month of debate that takes place. Then there's actually a final meeting in which the deputy min-

ister and I meet with our senior staff on the particular situation. Then we help them finalize their response.

1130

Mrs Munro: Have we run out of time?

The Chair: The time is up. I was going to suggest maybe another round of six minutes.

Mr Patten: I just have a couple of quick questions. In your highlights this morning, Mr Peters, at the tail end of your report you twice suggest that you urge the government to establish appropriate accountability regimes for funds, and you're referring to the Ontario innovation fund. Then, on the last page, you said you sought over the last decade to have the Audit Act amended, presumably in order for you to audit some of the agencies or bodies that are receiving public funds but you have no access to them. Is that correct?

Mr Erik Peters: We don't have access to all the information. We have access only to the financial information but not access to the other information that we would need to have to assess whether they are achieving value for money.

Mr Patten: When you say you sought to have the Audit Act amended, did you send a letter to the Premier? How do you do that?

Mr Erik Peters: The approach has been actually through this committee. Under the rules of the House, it's the Minister of Finance who is the sponsor of any amendments to the Audit Act, so we have also communicated with him. In this report, I actually reproduce a letter that I'd written to the Minister of Finance in August this year.

Mr Patten: Mr Chair, I wonder if I might flag that as an issue that this committee might discuss in our proceedings maybe in the interim. I mean this is a decade now. We're talking about \$30 billion a year that our Provincial Auditor is not able to fully examine on our behalf. It seems to me that would be something that this committee perhaps can examine.

The Chair: I think in the last five years, just for the record, there have been two private members' bills—one by Mr Maves and one by Mr Grandmaître—that were introduced and may even have been debated, voted on, but sort of lost—well, they didn't lose; they just sort of died on the order paper. I think Mr Eves as well, in one budget, indicated that he was going to make amendments to the Audit Act—I think it's the budget of 1996-97—and then it was never followed up on.

Mr Erik Peters: He indicated in that act he would introduce something called the Public Sector Accountability Act. I refer to this in my report. There is action on that particular front that is, though, separate. Mr Eves has re-established the Ontario Financial Review Commission, which was originally established in 1995. Again I have been asked by the minister to act as an adviser to that group. Their report hopefully is going to be presented soon, but one of the mandates was to deal with this Public Sector Accountability Act.

Without wanting to pre-empt them, one of the agreements that we made—and I refer to that in my letter as well—is that the matter of the Audit Act should actually

be dealt with most directly between the minister's office and myself because the staff of the Ministry of Finance is subject to audit by me and it's a different approach to the minister in this case that we should have.

But I appreciate the comment that you made, because in 1996 there was a unanimous vote by this committee endorsing the amendments to the Audit Act that I then proposed. In that motion, the Minister of Finance was also asked to provide a response, which he did in September 1996. In that response he indicated that he would take up this issue again once the Who Does What exercise had been finished, because one of the areas that is of difficulty is the municipal area and certainly the working relationship between the province and the municipalities was such that there was a potential of excluding grants to municipalities from this particular project.

Mr Patten: If the committee agrees, my suggestion would be to ask our researcher if he might pull it together. It sounds like there are some initiatives and suggestions and maybe some pieces of legislation that have been proposed. Maybe he could pull that together for us and say, "Look, here's"—

Ms Mushinski: I'd love to see in the Public Sector Accountability Act some comments on judicial accountability as well.

Interjections.

The Chair: Does that includes drug testing for MPPs as well? Maybe you could put a package together and give us a background on that.

Mr Patten: All right, thank you.

The Chair: OK, Mr Peters, you've got two minutes.

Mr Steve Peters: Mr Peters, earlier on when I was asking about legality you said—I'll paraphrase, and if I'm incorrect, correct me—that if the transactions had been completed, they would have been illegal.

I'm coming to the daily trading aspect: my understanding of daily trading is that transactions are closed and completed at the end of a business day. Were the daily trading activities that were taking place a violation of the Agricorp Act of 1996? Were these daily trading activities illegal?

Mr Erik Peters: The transactions themselves were speculative in a business judgment. These transactions certainly took place in the kinds of investments specified in the act itself. In other words, they were doing bond trading; they were speculating on interest rates. So the question of legality was really not there.

Where the question of legality arose in this case was that once the losses occurred, there was an attempt made to charge the losses against the insurance funds as opposed to dealing with them as a cost of administering the fund. That's where the problem occurred. As I said, the transaction in that regard was not finalized; in other words, the taxpayer paid the \$325,000, not the funds, not the premiums, not the farmers.

That's what we stopped. That's why we said the intervention took place. My office said, "Look, if you cross that boundary, then you have a problem." But the other one was a lack of judgment, speculative, and certainly a

total absence of supervisory procedures of governance and accountability. Why didn't anybody tell somebody, "Don't do this; don't engage in day trading"?"

Ms Martel: If we're going to do some work on following up on the Audit Act and potential changes, I do think that we should look at what else you're allowed to audit, or not allowed to audit.

Specifically, the lack of ability for you to audit the Ontario Innovation Trust is just a glaring example of why we need some changes. You made it really clear that the government was using the trust to significantly exaggerate its spending on innovation in that year. I take it the problem was that the government transferred funds to the trust and stated that in fact that money had been spent when in actual fact very little of that money transferred has actually been spent on any project. Is that the question? Was that your conclusion?

Mr Erik Peters: The phenomenon that occurs here is that in the past we used to pay Innovation on the basis of a grant. Somebody came and applied and said, "Here's the money," and we were looking at the grant recipient. This Innovation Trust has actually introduced a middleman, and we are dealing with this as a grant to the middleman without having any control or any information on how well this money is actually spent in terms of fostering innovation in the province itself.

In fact, in my report, I point out that as of March 31, 2000, the actual expenditures of the trust have only been \$2.5 million and that there was a commitment for \$158 million. There were actually \$90 million on hand, unrestricted, there were over \$225 million on hand for investment purposes already, and yet we put another \$500 million into the trust and said that was innovation expenditure in the year ended March 31, 2000.

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Ms Martel: So I'm clear, the government was also publicly saying this was money that had been spent.

Mr Erik Peters: In the accounts it's treated as spent money, yes.

Ms Martel: So of the \$750 million that the government has showed in the public accounts to be spent, are you saying that only \$2.5 million was actually spent?

Mr Erik Peters: That's what the trust accounts show, yes.

Ms Martel: The base is not \$250 million; it is actually \$750 million.

Mr Erik Peters: That's right. It is an original \$250 million in the previous year—

Ms Martel: From 1998-99—

Mr Erik Peters: —and another \$500 million in the year ended 2000. The accounting is acceptable simply because the trust is not controlled by the government. Of the trustees, a minority membership is the government and the majority are I believe universities, hospitals and somebody else. There's a third group involved which doesn't come to mind. We have a minority interest, so the government, for accounting purposes, can say, "Yes, the money flowed out the door because it flowed to the trust," but whether it has actually been spent by the trust

on innovation, that is where I'm saying the accountability is not there. The trust, by the legislation which establishes it, is not even accountable to a minister of the crown and therefore I think it would take a legal decision as to whom you can even ask questions about this now. If you wanted to have the Ontario Innovation Trust before you, whom could you ask to come? There's no minister accountable for it and the trust itself has no accountability relationship to the Legislature.

The Chair: Who controls it? Is it under the Ministry of Finance?

Mr Patten: The Ministry of Energy, Science and Technology.

Mr Erik Peters: Yes, but without the minister having any role.

Mr Patten: Yes, that's right.

Ms Martel: Is there any kind of operating agreement between the minister and the trust?

Mr Erik Peters: No. We spell that out in chapter 2. There is no operating agreement. There is no accountability. You couldn't get up in question period and ask any minister of the crown because they can say, "Well, the trust is not accountable to us."

Ms Martel: There's no memorandum of understanding even?

Mr Erik Peters: No. They are approved as endowments by cabinet. I said, "Specifically, I am concerned about the inability of the government and the Legislature to obtain assurance that the trust is spending public funds prudently and for the purposes intended and to take corrective action if it is not; the lack of ministerial accountability for the trust's activities," and the last one, which may be the least important, is that I can't look at it either on behalf of the Legislature. It is an independent corporation and therefore no memorandum of understanding even.

Ms Martel: Do you have access to their annual audit which is to be done by an independent third party?

Mr Erik Peters: Pro forma, I don't, but when I've asked for it I've received it.

Ms Martel: Is it a public document?

Mr Erik Peters: No, it isn't.

Ms Martel: So you can get it by virtue of the fact that you're the auditor, but we would have to go through freedom of information.

Mr Erik Peters: I'm not sure how you would go about it, to be honest. I asked the Ministry of Finance, and they were kind enough to give me a copy of the auditor's report. That's where the information that I've printed was, that only \$2.5 million was disbursed.

Ms Martel: So it was given to you as a courtesy, because you didn't even have a legislative requirement to ask for it.

Mr Erik Peters: Right, plus I raised the issue, actually, in my last year's report already on the first quarter of a billion. I raised it at that time in my report as a significant impairment of accountability.

Ms Martel: That was at the time when \$250 million had been transferred, and then despite what you had raised another \$500 million was transferred.

Mr Erik Peters: That's right.

Ms Martel: One final question. You said in your media scrum that in all your time as auditor this report and last year's reports raised the most serious findings for you. Can you explain why that is?

Mr Erik Peters: There are a number of issues. There's massive change going on within the government in the way service is being delivered. What we have found repeatedly—I'll give you one example; maybe an illustration helps. When you alter service delivery—I related this, I think, to the media. I attended a conference on private-public sector partnerships. There was a long discussion with some of the governments in the United States, state governments, as to, "If you had to do it over again, what would you do differently?" The first answer that almost all of them gave was, "You would evaluate your pilots before proceeding with a process."

This committee has already met on the Ministry of Transportation, where we went and outsourced a lot of the highway contracts before evaluating the pilot. This year again we have, for example, identified that on the primary care network there was supposed to be an evaluation of pilots first and then proceed with what is going on. So that is one area. In that regard you should also know that the government should have a very clear picture of how much it costs itself to do the program right now and what is involved in its own delivery. The second part, which is really important and which I think I've come out with fairly clearly in public this far, is that when you outsource or consider alternate service delivery, two fundamental aspects have to be adhered to: one is that the policy objectives of the government have to be met; and secondly, once it's done the taxpayer has to be ahead. Those are the two fundamental rules. What we have found in many of the cases is that we don't see yet where there is a clear indication that the ministry has put itself in a position of ensuring that policy objectives are being met and that they are in fact met in such a way that the taxpayer is ahead. Those were the features.

The Chair: We'll have to leave it at that. The government caucus.

Mrs Munro: I know Mr Gill has a comment to raise as well.

I actually was going to bring up the issue that Richard did in terms of the question of the auditor and the recommendations that you made seeking the opportunity to look at the recipients of money. Because we've already been through the main questions that Richard raised, I want to know if this is done in other jurisdictions, sort of the crystal ball gazing in terms of what you would want to see, and obviously if there are other jurisdictions that give us a demonstration of how this kind of thing works in other areas.

Mr Erik Peters: It does work in other jurisdictions inasmuch as other jurisdictions very often have access to that information. Secondly, one point that I want to make

abundantly clear is that we are using this only on a discretionary basis. In other words, I don't foresee us auditing value for money in General Motors of Canada because they're receiving a \$10,000 grant under the apprenticeship program, to use an extreme example.

Ms Mushinski: Didn't that happen in 1994?

The Chair: In 1984, I think.

Mr Erik Peters: In previous meetings Mr Patten very often raised the question—for example, we have a small social service delivery agency that receives, say, a \$40,000 grant and we don't want to impose on these people all sorts of reporting, not only a reporting structure that may be very costly and terribly counter-productive to what they're doing, but on top of it say, "And, by the way, if you don't do it right the Provincial Auditor can come in and take a look at you." So there has to be a great amount of discretion as to what we can actually look at, not only for the reason of the recipient—or I should say primarily for the reason of the recipient, but another reason, of course, is also the call it makes on my resources. One of the things I have to consider in this regard is the resources, and in that regard I should tell you that we would have great difficulties accommodating this under the current budget, largely on the basis that currently my office is funded to the extent of about 14 cents for every \$1,000 that the Ontario government spends. Compare that with the nearest colleague in the legislative auditing community that I have, and they have about triple the funding, in the range of about 35 to 40 cents per \$1,000.

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The Chair: Which jurisdiction would that be?

Mr Erik Peters: There's a number of them. New Brunswick is very close; they're at about 38 cents. The federal government is at around 35 cents or thereabouts. BC, for example, as a much smaller province, has a far larger budget than I do, about 25% more money than I do. I had to bring that out because it may require an increase in the money spent on my office.

Ms Mushinski: The federal government actually ignores the auditor at times, too.

Mr Erik Peters: I won't comment on that.

The Chair: The election is over. We've got another three or four minutes left, Mr Gill.

Mr Raminder Gill (Bramalea-Gore-Malton-Springdale): As I understand, these audits have been going on since perhaps the 1930s or whatever, and various governments go through this. It seems to me from our discussion today that each year we look at similar things and we seem to be highlighting the same concerns.

I'm not sure whether governments ignore it or those concerns are not so valid, or whatever reason, because we seem to be going through this year after year. Everybody is paranoid, the report comes out. Do you want to maybe elaborate on that?

Mr Erik Peters: Firstly I just would like to comment on the year. The concept of value-for-money auditing in the government was actually introduced in the late 1970s. Up to that point, many legislative audit offices were

really more an adjunct to, in some areas, the Minister of Finance, for example in Manitoba.

Ms Mushinski: The federal integrity commissioner.

Mr Erik Peters: Pardon? Right. Well, I can't comment on that.

The Chair: You didn't mean to say "right."

Mr Erik Peters: Can Hansard please take that one off the record? That was the heat of the battle.

Yes, there is a certain degree of concern of my office that, as I did again this morning, we raised questions seven years ago and action was not taken. It has to be taken in the context of priorities. It also has to be taken in the context of the government's own reaction. I should tell you that, with this year's report, I was quite pleased with the government's approach to the report in the House. They said, "Yes, we have problems. Yes, we're going to fix them. Yes, we're going to address them."

That's exactly what this committee is about, and that's exactly what the government is about, and that is what makes my reports have a difference. I can tell you also that in terms of return on investment, my office is outstanding. We have identified opportunities for saving money for the taxpayer, and they have very often been acted on, and money has been saved by the government in doing things better.

The Chair: So, Mr Gill, this is not a useless exercise.

Mr Gill: Specifically on your speaking notes, page 4, the second paragraph: you're talking about the ambulance system, and you're hypothetically saying because of realignment, because of downloading—as if the system or the service delivery or the response time is going to get bad. You're hypothetically forecasting that we might need \$100 million more to achieve some kind of benchmark of 1996 response times. Do you want to elaborate on that? Is it hypothetical?

Mr Erik Peters: No. I'm repeating what the ministry told us. These are not my estimates. These estimates are done by the Minister of Health. It is their own estimate of what it would cost to re-establish the service levels or the response-time requirements that were actually met in 1996. These costs include, as Ms Martel pointed out, a certain amount of one-time costs of having to cancel contracts in facilities and leases of about \$11 million. But there is also a \$53-million estimate made by the ministry based on what the municipalities are telling them right now as to what it would cost for municipalities to take over the ambulance services.

As you know, this service was supposed to have been downloaded as of January 1, 1998, or somewhere thereabouts, but great difficulty ensued. Because the municipalities were largely not prepared to assume the responsibility for the service, the government retained providing the service and then also changed the funding formula and how they deal with the municipalities at that point. The municipalities are paying for it. So, their \$100-million number is not my number, it's the ministry's number.

The Chair: One minute left. Ms Mushinski. Well, OK, 30 seconds each. Mr Hastings.

Mr Hastings: I'd like to get Ray to find something out for us regarding Mr Peters's comments about the 25% reduction in the environment ministry leading to fewer inspections. This is that old input-output problem you talk about, Erik, and that the only way you can improve your inspection numbers is that you have to have more staff. That gets me thinking you're caught up in the same quandary that the rest of us are. You've got to go beyond that equation to why can't you prioritize your inspections in terms of getting the same result number out versus your inputs. In other words, it becomes a management issue. You were talking about drivers' licences and how that's managed. If you have a good driver-ed program, you should have a reduction in accidents, but it doesn't necessarily follow; it should. I'd like Ray to do some work on that to show where you only have inputs-outputs and there's no other way of managing the issue.

Mr Erik Peters: Can I just very quickly say two things? I'm not talking about staff; I'm talking about the number of inspectors. But the second one, I'm just wondering, rather than burdening our researcher with it, whether there's a possibility at all that that issue could be raised with the ministry when it's before the committee, whether they could provide the information and if that question could be raised with them.

Interjection.

Mr Hastings: Broader? I was using environment as the example.

The Chair: We'll have to leave it at that, because I see there's a vote being called. I have three very quick points. Ray is going to provide each office with a package on Agricorp today. It will go into some of the background as to the relationship between Agricorp and the ministry etc. Every committee member will have that before the weekend.

Ms Mushinski: I'd like to see a copy too of the constitution for Agricorp.

The Chair: I think that's part of it. So next week Agricorp will be discussed. There will be a 30-minute closed session. The ministry, or at least Agricorp, will then be given 15 minutes to make their presentation, and there will be about 20 to 25 minutes left for questions and answers for each caucus.

The final thing that I wanted to say is that on Monday evening between 5 and 7 there is a reception that the CAs are holding, and there will be some pertinent comments about Erik Peters at that point in time, so I would ask all of you to attend and bring your colleagues as well.

Ms Mushinski: Pertinent or impertinent?

The Chair: Pertinent, I'm sure. The committee is adjourned.

The committee adjourned at 1159.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 7 December 2000

Journal des débats (Hansard)

Jeudi 7 décembre 2000

**Standing committee on
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Special report,
Provincial Auditor

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Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 7 December 2000

Jeudi 7 décembre 2000

The committee met at 1037 in committee room 1 following a closed session.

SPECIAL REPORT, PROVINCIAL AUDITOR

MINISTRY OF AGRICULTURE,
FOOD AND RURAL AFFAIRS

Consideration of chapter 3(3.01), Agricorp.

The Chair (Mr John Gerretsen): I call to order the meeting of the standing committee on public accounts dealing with the special report of the Provincial Auditor relating to Agricorp today. I'd like to welcome everyone here. Good morning. Perhaps before you make your presentation, which I would ask you to limit to no more than between 10 and 15 minutes, but 15 at the outside limit so it would allow each caucus 20 minutes for questioning, you could identify yourself and the other members in your delegation as well. We can start from there.

Mr Frank Ingratta: Good morning. I'm Frank Ingratta. I'm the Deputy Minister of Agriculture, Food and Rural Affairs. With me today I have Dr Bruce Archibald, who is the assistant deputy minister of the policy and farm finance division, and Mr David Hope, who is the director within that division. If that introduction is satisfactory, I will move to the opening comments.

The Chair: Go ahead, sir.

Mr Ingratta: Thank you for providing me with the opportunity today to talk about an agency that provides excellent service to Ontario's agri-food industry. It's extremely important to use this time to clear up any concerns and misunderstandings that may still surround the agency's performance as a result of the Provincial Auditor's report. That's why for my opening remarks I'd like to take you through the history and role of Agricorp and some of the services it provides. I'll then talk briefly about the recent Provincial Auditor's report and the corrective actions that the board and the ministry took as soon as the problems were identified.

After a year of consulting with Ontario growers and food processors, Agricorp was launched in January 1997. The goal was to provide responsive, cost-effective agricultural insurance and consulting services, including crop grading and inspection, to Ontario's agriculture and food industry. For the preceding 31 years, crop insurance had been provided by the Ministry of Agriculture. While the

service delivery had been good, it was felt that an arm's-length organization with farmer representation on the board of directors would be more responsive and more efficient.

A memorandum of understanding reached between the new agency and the ministry set out the terms of the transfer. As you may know, Agricorp, like all other agencies, is established by government but is not part of it. The agency was created by legislation and was assigned responsibility and authority for carrying out risk management programs on behalf of the Ontario and federal governments.

The agency has the freedom to seek out new business, as well as operating efficiencies within the ongoing programs. The ministry retains overall responsibility for strategic directions.

As you may know, crop insurance protects farmers against severe natural events. It is an extremely important risk management tool that Agricorp delivers to more than 19,000 Ontario farmers who grow 54 different crops. Financing for the program comes from premiums: growers pay half of the premium costs, and the federal and provincial governments pick up the other half, as well as picking up the administrative costs of the program.

Agricorp demonstrates its commitment to customer service and efficiency in the delivery of this program. In each of the last two years, the acreage covered under the crop insurance program administered by Agricorp has increased by 6%. At the same time as that increase in coverage, premium prices fell for most field crops and were reduced by approximately 20%, resulting in savings of more than \$30 million to farmers for the 1999 and 2000 crop years combined.

Crop insurance is only one of a number of safety net programs available to farmers. Agricorp also delivers, on behalf of the federal and provincial governments, the market revenue program. Ontario is the only province in the country to offer grain and oilseed producers this protection against income reductions due to market fluctuations and low commodity prices. Again, the agency has proven its mettle, with more than 22,000 farmers enrolled in this program, accounting for 85% of the acreage grown across the province. This year it is expected to distribute approximately \$125 million in market revenue claims.

Agricorp also provides business and consulting services for various Ontario commodities. Shortly after its

launch, the agency won a contract to provide third-party grading, inspection and acreage measurement for several vegetable crops for the Ontario Vegetable Growers' Marketing Board and the Ontario Food Processors' Association. It also provides inspection services to the Flue-Cured Tobacco Growers' Marketing Board and licensing and inspection of grain elevators and dealers under the grain financial protection program.

Perhaps the most impressive of Agricorp's achievements is its ability to provide much-needed funding very quickly and very efficiently. When the ice storm of 1998 ripped through eastern Ontario, Agricorp delivered, on behalf of the Ontario government, more than \$9 million in emergency assistance to close to 6,000 farmers and rural residents in record time; in fact, before the end of January 1999, Agricorp was cutting cheques that were in the hands of those who needed it most well before the cleanup was complete in that difficult situation.

Just a year later, Agricorp jumped into action again. If you will recall, in December 1998 and January 1999, many farmers across Ontario, and particularly hog producers, were dealing with record low prices. Ontario was the first jurisdiction in the country to respond, with the \$40-million whole farm relief program. Agricorp was there to make sure the cheques got into the hands of those who needed them most. From an announcement in December to mid-January, the ministry made sure that 60,000 producers had their applications in hand, and by February 4, Agricorp made sure the first cheques were in the mail to those producers in financial hardship. By April 8, 1999, the thousandth cheque was issued and more than \$9 million in much-needed financial assistance had already reached Ontario farmers. The first payment on the federal portion of the program was not forwarded until July of that year.

Agricorp is an innovative agency dedicated to continuously improving its services to Ontario's agri-food industry and farmers. As a three-year-old agency, Agricorp was chosen to have a value-for-money audit performed by the Provincial Auditor. A financial audit is conducted by that office every year under the legislation that created the agency in the first place.

Last year, inappropriate decisions were made by the organization which were documented in the recent auditor's report. As was pointed out in the responses to the report, we acted quickly to make sure that the board of directors took immediate steps to rectify the situation and put in place stricter financial policies and controls. While the losses are regrettable, the way in which they were dealt with was swift, sure and aimed at making sure nothing like this happens again.

Some of the most important changes that have been made include tighter controls, a new policy on investments and stricter oversight by the board on all financial matters.

While by law we are maintaining an arm's-length relationship, the ministry has also stepped up its role in Agricorp. We changed the ex-officio member on the board to a voting ministry representative. We have a

closer relationship with the agency in which the chief executive administrative officer of the agency and the ministry's assistant deputy minister in charge meet on a monthly basis. We've devoted more of our own ministry's internal audit time to the agency.

The inappropriate actions that occurred last year are regrettable but shouldn't be allowed to overshadow the tremendous contribution Agricorp makes to the agri-food industry and to the entire province. Procedures and policies are now firmly in place that will prevent such a situation from happening again.

Much of the reason Agricorp has been able to distinguish itself in terms of excellent service and innovative solutions is the fact that it is run by farmers for farmers. The strong representation on the board from Ontario's farm and commodity groups ensures the agency continues to evolve to meet the real needs of farmers. With its strong board of directors, new policies and closer ties to the ministry, I'm confident that Agricorp is well positioned to continue to play a significant part in encouraging a vibrant agri-food industry in Ontario, now and into the future.

The Chair: Thank you very much, Deputy. We will start off with the first round of 20-minute questioning for each caucus. There may be some more time left after that which will be split. We'll start with the Liberal caucus.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): I just want to know how someone gets appointed to the board and who is responsible for nominating them.

Mr Ingratta: To the board of directors of Agricorp?

Mr Cleary: Right.

Mr Ingratta: We seek nominations from the agricultural commodity organizations, the major organizations that have their crops insured by the commission. They nominate a list of individuals—producers—to the ministry, and the selection and the appointment to the board of directors is made by the minister.

Mr Cleary: You said that the commodity groups have to put the names forward—in all cases?

Mr Ingratta: The commodity groups put the majority of the names forward. Each commodity group puts forward two or three names, so we do have quite an extensive list.

Mr Cleary: Does the same thing apply to how replacements are chosen?

Mr Ingratta: On a regular basis we go to the commodity boards to have them update their lists and their recommendations for who should be on the board.

Mr Cleary: The other thing that I'd like to know is a little bit about your administrator, Tom Schmidt. I'm reading from a fax I got from probably as good a farmer as there is in the province of Ontario. It says, "Go back to the time when Schmidt was hired and I think you will find out that he got rid of the people in Agricorp who had any knowledge and background in farming and replaced them with people who didn't know a combine from an airplane." This is some information I got from a good, well-known farmer.

Ms Marilyn Mushinski (Scarborough Centre): Are you prepared to hand that over to the members of the committee?

Mr Ingratta: The question, sir?

Mr Cleary: I just wanted your comments on that.

Mr Ingratta: The question, as I understand it, was how the CEO was hired?

Mr Cleary: Right.

Mr Ingratta: Let me provide you that detail, if I might. The interim board of directors, the transition board of directors from the crop insurance commission to Agricorp, was charged with the responsibility of a competition to fill that position. They acquired the service of a professional human resources firm that did the search Canada-wide to identify a potential list of individuals who may be considered for that position. I believe there were over 100 individuals identified as part of that public advertisement and by the search conducted by that firm.

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The firm, working with the interim board, determined a short list of individuals who would be screened through a personal interview and through reference checks. I believe that five individuals were interviewed by that board in the first round. If you like, I could provide the names of the people on the board. They were all producers and the former chairman of the crop insurance commission. They conducted that series of interviews, reduced the number of applicants to three and conducted another intensive series of interviews.

I apologize if this sounds like a long answer, but I think a full process for identifying candidates was employed in terms of interviews and reference checks. As part of that process, the board made the recommendation to acquire the services of that individual.

The point I believe you are also making, if I might, is that when that individual came to the organization, some organizational changes took place. As with any new organization, restructuring from the old crop insurance commission did take place. Some of the most senior individuals who worked with the crop insurance commission and moved from that to the agency responsibility did continue with the Agricorp organization and, in fact, continue today.

If there are one or two examples of individuals who are no longer with the board who may be in the category of having tremendous experience, I would agree that in the last three years, individuals have found alternate employment opportunities or retired. One of the more long-standing individuals responsible for sales and marketing retired just last month, and there are a number of cases of that over the course of the three years. To suggest there was a complete reshuffling of senior responsibilities with Agricorp would be incorrect. Some of those senior people continue in those positions.

Mr Cleary: I appreciate your comments. It's not my work; it's someone else I have to represent. Ever since I came to Queen's Park, I have been involved as either a critic in agriculture or a parliamentary assistant, so I have to have answers too. I appreciate your comments, and I know that everyone has a lot of questions.

Mr Steve Peters (Elgin-Middlesex-London): I understand that Agricorp is a schedule 3 corporation that has an OMAFRA adviser on the board. It strikes me as odd that we have four witnesses here today, Mr Ingratta. Why is nobody from Agricorp—either the chairman or a member of the board—here today?

Mr Ingratta: The invitation I received to be present here suggested that the ministry's activities were to be scrutinized as a result of the Provincial Auditor's report. I have no question that if we were to phone the current CEO of Agricorp or members of its board—if we were to bring them in, they would come willingly. It's not an issue of excluding them on purpose.

I believe David Hope would like to add to that, if he might.

Mr David Hope: I am the current ministry representative on the board of directors, so I serve as a full voting board member.

Mr Ingratta: If I might, I'd like to point out that this was one of the changes made following the Provincial Auditor's report. Rather than having a ministry representative on the board in an ex-officio advisory capacity, we moved to have a ministry employee appointed to the board as a full-time voting member. As Dave has indicated, he is that person.

Mr Steve Peters: Being a member of the board and having served, I guess, back a time in an advisory role on that board, you certainly would have been privy to what was going on at the board and you would have known everything that was going on. We know that in May-June 1999 the auditor made the decision to undertake a value-for-money audit. During that May-June 1999 period, would the minister have been communicated with? Would the minister have been kept informed of everything that was happening at the Agricorp board during that May-June period when the decision was made to undertake the audit?

Mr Ingratta: In answer to your question, I think we have to look at the structure that was set up. Agricorp was created as an arm's-length agency. Responsibility for the operation of that agency was in the hands of the senior management of the agency and the board. When you ask if the minister was informed of everything that was happening at the board and the subcommittees of the board, of the daily and monthly decisions that were taken at that board, the answer would be no. As the ministry, we continue to have responsibility for the overall policy direction of Agricorp but not the daily operational activities.

Were we cognizant of the decision of the Provincial Auditor to do a value-for-money audit? Yes. We're also extremely cognizant that in the legislation, the Provincial Auditor has the annual responsibility of the financial audit. So we were not surprised or taken aback that with a relatively new agency with almost three years under its belt, the Provincial Auditor made the decision to conduct that audit, based on their financial audits and based on their risk analysis that is conducted on a broad range of organizations.

Mr Steve Peters: You have an OMAFRA adviser on the board. It's clear to me that if some serious discrepancies have taken place with money, somebody should be notifying the minister of problems within this agency, because you have an OMAFRA adviser sitting on the board.

Mr Ingratta: I think we would confirm that when we, as the ministry, became aware of the issues, that information was shared. You're focusing on the summer of 1999. I would say to you—and I repeat—that the board structure that was in place at that time allowed for multiple committees of the board. Our representative was not an adviser to all those committees and subcommittees, and so would not be advised of all the discussions of those subcommittees. When we became aware of the information through our representation on the board, that information was dealt with in due process.

Mr Steve Peters: In the auditor's report on pages 26 and 27, the auditor makes reference to a number of investments, including the bonds that were sold for a \$61,000 loss and the loss of \$1.2 million on another bond—the top-up of \$2.9 million and the long-term \$61,000 loss. As the senior administrator to the whole farm relief program, Mr Hope, knowing that Agricorp used whole farm relief money, what was your comment on Agricorp using whole farm relief money in these investments? Did you agree with that?

Mr Ingratta: If I could introduce the first part of the answer, then David would follow up.

On the question of using the float that was in Agricorp's control, the float was there to pay applications to the whole farm program. When those applications were submitted and approved, Agricorp would cut the cheque. The indication and the rules, if you will, around how that float could be invested were clear. They were to be invested for a limited time and not for an extended period. So it was an inappropriate action to invest dollars from the whole farm program for a longer period of time.

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Mr Hope: What I can tell you from our perspective as contracting with Agricorp to make the payments on whole farm relief is that we entered into an agreement with Agricorp on how those monies would be managed and invested and what our expectations of that were. When the issue became known to the board, at that time I was not a representative on the board but was made aware of that at the time it was made known to the board and was also informed about the actions that had been taken by the board to ensure that there was no ongoing impact on the program. We also had discussions to understand the actions that had taken place at the board's direction to ensure that similar circumstances could not happen again and we made ourselves familiar with those policies to ensure that this was sufficient to provide us with assurance that it would not happen again.

Mr Ingratta: If I might summarize, the longer-term investment was deemed to be inappropriate. Again, we have, at the Provincial Auditor's advice, taken a number of steps to ensure that this practice does not happen in the future.

Mr Steve Peters: Can you tell me the size of that bond and the term of that bond? It's my understanding that the bond had been sold in two lots on September 15 and September 30, 1999. Could you tell me what the size of the bond was and what the terms of that were? How much of that bond was made up by whole farm relief program funds?

Mr Ingratta: For clarification, this is the May 1999 bond?

Mr Steve Peters: Yes.

Mr Ingratta: David, do you have that information?

Mr Hope: Just one moment, please.

The Chair: I think it's right at the bottom of page 26.

Mr Hope: Yes. In May 1999, a \$5-million par value government of Canada bond with a maturity date of September 1, 2003, was purchased. That's my understanding.

Mr Steve Peters: It's interesting. I was elected in June 1999. My office started to receive calls, complaints started coming in about the whole farm relief program. Prior to the election, funds seemed to be disbursed quickly. The release of the funds appears to have dried up in the summer. Can you tell me, is it because monies were invested in these bonds that funds couldn't be released, because the money had been tied up and you didn't have access to the money?

Mr Ingratta: David, if I might. I want to make a point, and David will provide the details.

The issue that I believe we're discussing today is Agricorp's management of those cheques. I don't believe the Provincial Auditor had questions about the process of the cheques being cut and provided to producers. If the questions you're asking are around the structure and how the Ontario whole farm relief program was constructed, the policy decisions that were taken with the federal government and all of the provinces together to identify how the program would be constructed—if you want to get into that debate around the structure of the whole farm program, that's a separate issue. I'd be glad to provide information on that, but if the questions are around how Agricorp delivered those cheques, I don't believe there were any complaints around the turnaround time. Agricorp was charged with the responsibility of cutting those cheques once the applications had been approved by the ministry. I don't believe there are any complaints about completing that process, so I don't believe there is a concern about Agricorp's involvement there. If the question you're asking is how the dollars flowed out of the program and what the deadlines for applications were, then I think David could provide that additional information.

Mr Hope: The short answer is no, the investment practices of Agricorp did not impact the flow of funds to farmers. To put it in context that you had mentioned, in early 1999, Ontario offered an interim program, there were applications made on that program and approximately 2,500 people received money on that basis. They also were required to apply to the full program once it was started. In addition, people were able to apply for the

first time. So we had a number of people who applied early and payments were made.

As far as the applications to the full program, over 70% of them came in in the month prior to the July 31 deadline. That is why there was an unequal processing of payments, because the applications came in that way. There were quite a few up front in the spring, and a lot came in in the three to four weeks prior to the deadline and then those were processed. We always had a very short turnaround time from the time we had sent notification to payment to Agricorp and the time the cheques went out, and that averaged about a two-day turnaround or less.

The Chair: One more minute, Mr Peters.

Mr Steve Peters: On page 26 of the auditor's report there's reference made to the illegalities and losses inappropriately transferred from the general fund to the crop insurance fund. What I'm trying to find out is—and I asked the auditor this question about the transaction that took place—why the board would get involved in investments that were totally contrary to what was allowed under the order that created Agricorp. Why would you begin to get involved in areas that you shouldn't have been involved in?

Mr Ingratta: I want to stress one point. In the conversations that we've had with the Provincial Auditor, and I believe in his report—you've used the term "illegalities." I don't believe that's an appropriate descriptor of what has occurred. In fact, we have a written legal opinion that there were no activities that would be found under the Criminal Code or under the Agricorp Act to be illegal. I want to emphasize that the investments and the purchase of bonds, that investment instrument, were within the bounds of the program. The issue that was inappropriate was the active trading of those bonds.

The act and the memorandum between Agricorp and the ministry were silent on the issue of active trading. It was not included; it certainly will be and has become part of the policies and procedures of the current board to suggest that this active trading is an inappropriate mechanism.

So the instruments were used. I need to comment on the issue of highly speculative trading. The active trading was inappropriate, but the purchase of the instruments, the bonds, was not. They were not in the processes, as some may suggest that they were highly speculative investments. They weren't penny stocks on the Vancouver exchange. The instruments were appropriate; the active trading was not. The Provincial Auditor has pointed that out. We support that view, and it is not permitted.

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The Chair: We'll have to leave it at that. Mr Cleary, could you take over for a few minutes? We've gone 22 minutes, so we'll have 22 minutes for each one of the other caucuses as well.

Ms Shelley Martel (Nickel Belt): Deputy, I think what's so disturbing about the audit is really the clear evidence of gross negligence at so many levels. You have

tried to say that this corporation operates at arm's length from the ministry. But if you look at the memorandum of understanding, in fact you are very clearly tied, and part of the problem was that no one seemed to abide by many of the rules and responsibilities in the memorandum of understanding. For example, there was negligence in the minister's office because ultimately he is supposed to monitor Agricorp's activities to ensure that its mandate is fulfilled and is in compliance with government policies. We know the corporation was not in compliance with government policies. Frankly, I think there was negligence in your office because under the same MOU you're supposed to meet with the board and the chair regularly and discuss issues regarding the mandate of the board and inform ministers of the problems. We know, because the auditor has told us, that there were six vision statements in three years, so clearly people didn't have any idea of what their mandate was and that didn't seem to get cleared up at all.

I think there was negligence on the part of the board and the chair because they are appointed by the government and they are responsible back to the minister to ensure that the business at the corporation occurs as defined in the act, and we know that it did not.

Also, I think there was incredible negligence on the part of the ADM who sat as a member of the board, because frankly he or she better than anyone else should have known the requirements of the act, and yet there were many transgressions that were clearly in violation of the act during the whole period that individual was there, and finally certainly some negligence of the CEO, who was supposed to oversee the operation of the corporation, as per the act, and clearly didn't do that.

I hope that all this negligence was unintentional, but I think the fact remains that were it not for the auditor and the full-blown audit, there probably would have not been any action taken on many of these issues, because since you folks didn't do any internal audits during this whole time, you didn't identify the problems.

The one thing that I worried about in your opening remarks is that you said when these problems were identified by the auditor you clearly and quickly reacted. We have heard otherwise, and I'll give you one of the examples that I want to start with. We have been clearly told that the problem around the fund administration, that is, interest from the corporation insurance fund to be transferred to the general fund, was a problem that was identified with your ADM, who sat on this board as early as 1997, and no action was taken to deal with that. Both the CEO and your ADM continued to say that they had a legal opinion that said it was OK, despite several attempts by the auditor's office to clearly express concerns. Why was it that from 1997 on that item picked up by the auditor was not responded to? I point out that it wasn't until the full-blown audit began in May that, finally, outside independent advice was agreed to by both parties to actually get some kind of ruling on this.

Mr Ingratta: The point on fund administration is an important one. Without seeking his concurrence at this

particular point, I would say the issue of the administration, particularly of the interest earned in the crop insurance fund, was the point of, if you will, greatest contention between the Provincial Auditor and the ministry. You are right that we have had debate over time on the issue of interest, specifically from the fund. I have to point out that over the course of time both the federal government and ourselves and the producer groups came to an agreement that interest from that fund might be appropriately used for a portion of the administration activities of Agricorp.

The act itself, as I understand it, is silent on how the interest might be used. It is clear that the interest could not be taken from the fund, but if interest was generated by the fund, the act is silent in that regard. We, along with our federal colleagues, determined that it was an appropriate use to take some of that money to charge for extraordinary administrative expenditures. We continue to have that dialogue and, if you will, debate with the Provincial Auditor's office. We came to an agreement in 1999 that we would abide by—because we had two opposing legal and audit views of how that could be used, we came to an agreement that a respected third party would review that situation and we would abide by the decision of that third party. The Provincial Auditor's office and ourselves asked for that opinion in course. That opinion was generated and it suggested that the use of those interest funds for administration was not appropriate. When we received that opinion the monies that had been used for administration from that fund were returned to that fund forthwith.

We did have, I think, open and honest dialogue about the use of that fund, and I have to emphasize that both the federal government and ourselves were of the opinion and had legal support for our position and that's what created the dialogue to be extended. I have to also add—

Ms Martel: Deputy, if I might, I'm not concerned about the federal government. The Provincial Auditor audits the books of Agricorp, correct?

Mr Ingratta: That's correct.

Ms Martel: And is it true that beginning in 1997 staff from the Provincial Auditor's office raised this concern with you, raised this concern with your ADM who was sitting on the board?

Mr Ingratta: The dialogue on the interest from the crop insurance fund has been ongoing, yes.

Ms Martel: When the ADM was advised of this problem, and we were told it was in 1997, did he bring it to your attention?

Mr Ingratta: Yes.

Ms Martel: What did you do at that point?

Mr Ingratta: We sought the legal opinion of whether the act would permit the use of those funds.

Ms Martel: You sought that legal opinion from your own legal staff within the Ministry of Agriculture and Food?

Mr Ingratta: Yes.

Ms Martel: When the auditor came back to you and said they were not satisfied with that legal opinion, what happened then?

Mr Ingratta: Then we sought the, if you will, final legal opinion.

Ms Martel: But this was, am I correct, two years after the auditor first brought it to your attention?

Mr Ingratta: David, if you will.

Mr Hope: The issue did occur over time, but the money that we are talking about was withdrawn, I believe, in early 1999, not in 1997. So there were discussions as to what were the best solutions for this situation among clients and the representative parties in 1998. Agreements were made and action taken in early 1999 that resulted in ongoing discussions with the Provincial Auditor's office during further months in 1999. It was in 1999 that the issue, I believe, was resolved to everyone's satisfaction.

Ms Martel: I never said that any money was withdrawn in 1997. I said that the problem was identified by the auditor with your ADM and, clearly, the deputy in 1997. The problem was identified, and it looks like for over—I'll give you the benefit of the doubt and say an 18-month period, you stuck with your legal opinion despite the concerns that were raised by the auditor, and despite his concerns, in 1999 then went on with a withdrawal of money from the fund—is that correct?—in spite of the concern that had already been raised?

Mr Ingratta: The concerns had been raised over time, and as David pointed out, the actual transaction did not take place until 1999. We did take that action and that decision despite the suggestions and advice of the Provincial Auditor. That was an audit view. We were under the support of a legal view that what we were doing was appropriate.

Ms Martel: So you knew that transaction had occurred despite the concerns?

Mr Ingratta: Yes.

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Ms Martel: I think that's a serious problem, Deputy, to be quite honest with you.

Let me deal with the second issue. The auditor raised serious concerns about Agricorp's investment strategy, which I gather was developed about two and a half years ago. Can you tell me who would have approved the investment strategy? Did your office see that investment strategy after it was developed?

Mr Ingratta: The investment strategy on the crop insurance fund?

Ms Martel: Yes. A two-and-a-half year period since Agricorp's put into place an investment strategy for the Ontario crop insurance fund, so it would have been early on in the development of the corporation. Was that strategy approved by your office?

Mr Ingratta: Yes, the basic investment strategy would have been considered by the ministry. The basic investment strategy in terms of government bonds and the types of instruments that were allowed in the portfolio would have been supported.

Ms Martel: Let me ask, would the minister's office have had to approve it?

Mr Ingratta: I don't believe so.

Ms Martel: Do you know if he ever saw it?

Mr Ingratta: The investment strategy?

Ms Martel: Yes.

Mr Ingratta: I can't speak to that.

Mr Hope: The investment strategy was approved for the crop insurance fund by the board of directors. I'm not sure exactly which concerns you are raising with it.

Ms Martel: If I go back to the auditor's concerns about the investments, he raised a number. They have to do with the speculative daily tradings and inappropriate use of funds held for your ministry by Agricorp in its daily trading. He mentions that \$2.9 million that came from funds that were held for the ministry to make payments for the Ontario whole farm relief program were actually used in the trading. Under this whole section also comes the fact that Agricorp sold some of its long-term bonds to meet indemnity requirements when those indemnity obligations did not exist.

In terms of the auditor's report, when he makes recommendations that you should ensure there are proper controls in place, you folks reply that it's been two and a half years since you put this strategy in place and it's had a competitive rate of return for its stakeholders etc, which is all fine and dandy. But my concern is, who saw it, who approved it and, then, who was supposed to monitor how the investment strategy operated? Clearly there were a number of transgressions.

Mr Hope: Could I clarify, because I think we've got two or three issues in that statement. The crop insurance fund, which is the sum of money in the neighbourhood of \$200 million to \$300 million, had a board-approved investment strategy that was, I think, appropriate for the legislation. Of those issues that you raised, I think there is only one that applies to that particular fund and that strategy, and that would be the rebalancing of the long-term bonds in that fund. I think the auditor also pointed out that if those bonds that were purchased were held to maturity, as the strategy intends, there would be no loss to that fund.

I believe that is the only issue the auditor raised with the crop insurance fund investment strategy. I think it continues to be a strategy that is acceptable to the Provincial Auditor, the board-approved strategy. The other issues were dealing with operating funds.

Ms Martel: I appreciate that. I guess the problem is the bonds weren't held to maturity. They were sold before they had to be, at a loss.

My question is, after the strategy was approved by the board and clearly seen by the deputy's office, who was responsible for ensuring that its terms and conditions were met? Clearly, selling bonds before they matured—if that was part of the strategy, that's a problem; if it wasn't, how come that wasn't picked up?

Mr Ingratta: It clearly is not part of the strategy. The active trading was not part of the strategy.

Ms Martel: Was the ADM who sat ex officio for you responsible for monitoring the strategy?

Mr Hope: Again, let us be clear that the issue around the rebalancing of the bonds in the crop insurance fund

was only a loss if the replacement bonds were not held to term. This approach or the strategy for the crop insurance fund is a conservative strategy investing in very specific types of instruments. What we had was advice by the firm hired to do that that there be a rebalancing of these bonds, and that as long as they are held to maturity, as is the strategy, there is no loss to the crop insurance fund. The fund is structured so that monies would be available when needed, but at the same time maximizing returns using a conservative investment strategy.

Ms Martel: I understand all that. My concern is that the strategy was clearly not followed. There was a deviation and the auditor picked that up. I understand you have implemented a new strategy as of March 27, and I would like to know who would be responsible now for ensuring there are no transgressions or deviations from this new strategy.

Mr Ingratta: If I might, you're correct in identifying that the new strategy was enunciated and supported by the board. As I indicated earlier, we now, as a ministry, have official voting representation on the singular board rather than the multilevel board. The knowledge of all activities would flow through that person as a result of that change.

There are several things we have done as a ministry. In addition to having that full-time representation on the board, we have devoted and will be devoting a greater level of internal audit resources to ensure that the changes that have been implemented are pursued. In addition to that, we have formalized a monthly meeting of the CAO and the ADM responsible for policy on the farm finance division. So we have put in place several mechanisms to ensure that the new strategy as enunciated is supported and followed.

Mr Hope: If I could add to what the deputy said, I think we are now referring to the investment strategy for the operating funds. The board has approved a number of processes to ensure that the inappropriate situation does not happen again. The investment activity is now under the responsibility of the chief financial officer, who has significant experience. There are additional processes in place as far as duplicate signatures before any transaction is authorized.

The board has a report brought to it at every meeting, with the details of that strategy and how it was implemented. The board has also hired an audit firm to come in quarterly and provide them with assurance that the information provided to the board at each meeting is followed. The ministry rep, who is in this case myself, will be getting that information and will be able to provide the ministry with the assurance that that strategy is being followed.

Ms Martel: The auditor pointed out that no internal audit had been done of Agricorp since its inception. Can you explain to the committee why that was the case?

Mr Ingratta: The auditor of record for Agricorp is the Provincial Auditor and their office did in fact complete annual financial audits. We did not, as part of our process of internal audits that would be conducted in the

ministry, identify Agricorp as a priority for internal audit, partially because of the ongoing activities of the Provincial Auditor on that file. As a follow-up to the Provincial Auditor's report, and in agreement with the Provincial Auditor, to assist them in their annual activities of financial audit, we have agreed to devote more internal audit resources to Agricorp to support their activities in the future.

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Ms Martel: I appreciate that you're going to have monthly meetings between the CEO and the ADM. My concern is that the previous memorandum of understanding certainly allowed for that and I'm wondering if meetings did not take place and that's why problems were not identified. For example, Deputy, if I might, you were to have "regular meetings with the chair and the board to receive updates and discuss issues around Agricorp's mandate and inform the minister as required." For the period during which the Provincial Auditor was the auditor of record and then when he started his full-blown audit, were those meetings taking place?

Mr Ingratta: There were meetings between myself and the CEO of Agricorp discussing issues of concern and importance to the ministry and Agricorp. If I might relate, some of the dialogue we had included things like the investments and administration that would be required to make sure that the program continued to be as efficient as possible. There were interactions between myself and the CEO. At no time during those sessions were there discussions on whether, for example, active trading was appropriate. That dialogue did not take place.

Ms Martel: What about a dialogue on the new information technology infrastructure or any of the infrastructure changes that Agricorp was busy making? Clearly, from the auditor's report, \$3 million was just lost because of a change in direction. Were there any discussions during that period about what the corporation wanted to do with respect to technology changes?

Mr Ingratta: The issue of technology is an important one to an organization like Agricorp. You can well imagine that for 19,000 participants in the program, with multiple crops and multiple years of records on those individuals and those individual crops, there is a massive database. The Ontario crop insurance program is different than some of the other provinces in that payments are made based on individual records; that is to say, information technology is very important in delivering on the business of crop insurance.

As technology evolves, it was clear that an effort would be pursued to move away from mainframe processing of all that data, looking for some of the new technologies that allowed, if you will, desktop. Interactive desktop activity with technology appeared to be the way to go for the future, to allow flexibility and instant access by field representatives to those records, again in an effort to focus on providing increasing customer service.

So the discussions were had relative to moving toward desktop technology. Efforts were made to achieve that and in the final analysis the technology and the software

that was being developed to go with that desktop technology did not fit the massive amounts of data required as part of the crop insurance program.

Today they are using a mainframe technology. I hasten to add that the information technology system, the computer systems within Agricorp, are delivering crop insurance cheques within the identified time frame based on those individual calculations. There is a completely functioning information technology system delivering on the timelines and the time frames in Agricorp.

The Chair: We'll have to leave it at that. Time's up. Mr Hastings.

Mr John Hastings (Etobicoke North): I just want to make sure, Mr Chair, that we're getting 25 minutes, which will take us right to 12:01, looking at the clock when the critic started at 11:10. We get 25?

The Chair: No, I think we started at 11:12, sir.

Mr Hastings: Not according to the way I watched that clock up there.

The Chair: I made a little note to myself and I looked at that clock when I put down 11:12.

Mr Hastings: Anyway—

The Chair: Go ahead, sir.

Mr Hastings: I don't think we're getting the same, adequate time. I just want to make noted on the record.

The Chair: Absolutely.

Mr Hastings: My first question is to Mr Ingratta, and probably to Mr Hope, with respect to the historical genesis of Agricorp. How far back does this idea go in the ag ministry, OMAFRA?

Mr Ingratta: As I've indicated, crop insurance has operated as a function within the province for 31 years. Although the concept of moving to an agency separate from government doesn't have a 31-year history, it has been discussed in various venues over the last 12 to 13 years. The rationale for that discussion is that the major business of Agricorp is dealing with that massive amount of actuarial data that generates an insurance program. Various incarnations of how that could be more appropriately handled in an agency outside of government have been debated over some time. In the early 1990s, there was proposed legislation to create the agency. There were certainly active discussion in the late 1980s and, as I indicated in my opening remarks, very active dialogue in 1996 with the agriculture and the food sector on whether the concept of moving this insurance function into a more private-sector-type relationship would be appropriate. Based on that consultation in 1996, the move was made to create the agency, so it has been a fairly long genesis.

Mr Hastings: Mr Ingratta, let me give you that document. That's a bill that was introduced by the Minister of Agriculture and Food back in 1993, Bill 63. Is that very similar to the bill we have in place now?

Mr Ingratta: Without comparing the two bills line by line, I would say that the concept is similar. I'm reflecting, if you will, on my historic knowledge here. In 1993, I was appointed as the chief executive officer of the Crop Insurance Commission, the forerunner to

Agricorp, and part of my responsibilities at that time was to develop this concept and potentially move the organization outside of government and create the more private-sector type of entity.

Mr Hastings: Thanks for that historical perspective.

In terms of communications between OMAFRA and the auditor, there were various communications I assume, not only verbal but written, over the auditor's concerns?

Mr Ingratta: Yes. We had, as I indicated, several conversations, particularly on the conversations and meetings on the investment and the use of interest in the crop insurance fund. We've received draft copies. I believe it's the practice of the Provincial Auditor's office to share draft copies of the report, multiple iterations of draft copies. So, yes, we have had both verbal and written interactions between the ministry, Agricorp and the Provincial Auditor's office.

Mr Hastings: Specifically, did you receive a letter from the auditor's office dated May 31, 2000, which basically—and I've seen these letters as director of other corporations, companies, organizations—says, in effect, and I'll quote the public accounts letter, the last statement, "In my opinion, these financial statements present fairly, in all material aspects, the financial position of the corporation as at March 31, 2000. The results of this operation and its cash flows for the year then ended in accordance with generally accepted accounting principles." We put that letter into the record.

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How does that contrast with the concerns raised in the auditor's report that we now have in front of us on accountability and value for money? It would be fair to say that the measures, the concerns and the recommendations taken up by the auditor have, to a great extent, already been put in place—accountability, financial controls, better IT management—as of May 31, 2000.

Mr Ingratta: I believe the document you are referring to is the result of the annual financial audit of the Provincial Auditor. That would have been received, along with the annual report of Agricorp. So, yes, there is a distinction between the financial audit and the value-for-money audit, which would have delved into a number of areas in more detail, but we would accept the financial audit. We received a number of those annual financial audits from the Provincial Auditor's office.

Mr Hastings: My final question relates to the trading loss of the \$325,000. Given the concerns raised by the auditor in the November special report to the legislative committee on public accounts, what specific steps have you already undertaken or are contemplating undertaking to recover some or all of the \$325,000 that made up the accounting loss from the inappropriate trading of the bonds?

Mr Ingratta: The amount you've identified was in fact put into the Agricorp accounts in early January of this year. So that action has already been taken, and taken, as I said, expeditiously in January of this year. That money is in the appropriate accounts and was put into the appropriate accounts in January of this year.

In addition to moving the money—and I think this is the critical point and this is where we get the value-for-money audit that the Provincial Auditor does—the suggestions on how we could improve the accountability system were offered and taken and acted on and supported by the board of directors on March 27 of the year 2000. David has already delineated some of those actions, how we're improving on the financial accountability and how we're strengthening and putting additional resources into the relationship between the ministry and Agricorp. I believe it's fair to say, not only based on the November report but earlier in the year as a result of those ongoing dialogues and interactions with the Provincial Auditor's office, we took a number of steps to put in place mechanisms that would minimize the opportunity for the inappropriate actions to happen in the future.

The Chair: Mr Peters just wanted to make a comment.

Mr Erik Peters: Thank you very much for that, Deputy. That was very helpful. I just wanted to get at the core of the question, as I understand it, from Mr Hastings, and that is very quickly to say that when we opine on the financial statements, we would, for example, say that the loss is fairly stated. The idea of the opinion is simply: do these financial statements present fairly? That would be done under an audit offered under the Agricorp Act, the legislation under which they operate. However, the report that you got on November 21, that's where we would delve deeper as to how the loss occurred, why it occurred and what are the procedures surrounding it. So it's the difference between fair presentation or, did the taxpayer get value for money.

Ms Mushinski: I have several questions, I think primarily to clarify what may be some confusion over when you first started receiving expressions of concern about some of the management practices.

Alluding to Mr Hastings's questions about the history, Agricorp was actually established in 1997. It was established, my understanding is, as a schedule 3 agency. Schedule 3 agencies—and I have to go from memory here—are required to follow certain business practices, I assume, and they have certain relationships with the ministry etc. First of all, I wonder how many schedule 3 agencies are under your ministry and if the established business practices are the same for all of those schedule 3 agencies.

Mr Ingratta: While David is checking for the number of schedule 3 agencies, there is a series of management board directives and guidelines for interactions with agencies. As you would know, there used to be four identified types of agencies. Recently, Management Board has extended the definition of agencies because of a broader range of activities that are now being pursued. I believe there are now seven categories of agencies—operational enterprises, service delivery functions, regulatory agencies, a whole range of agencies—so there are those general guidelines and directives. They would be consistent with—

Ms Mushinski: Yes, and contained within these guidelines, I would assume, Mr Ingratta, are some guiding principles behind auditing functions, or checks and balances, especially with new agencies. I wonder if you could enlarge on that for me. I'm just concerned that we heard this morning that there were considerable expressions of concern right from its inception about some of the business practices expressed by the auditor and I'm wondering what kind of communication there was, what kind of follow-up there was and at what point you were required to actually undertake changes in procedure based upon ministerial directive.

Mr Ingratta: In answer to your first question, Agri-corp is the only schedule 3 agency—if we use the definition of 1 through 4—that the ministry has a responsibility for. In establishing Agri-corp, we developed an MOU, a memorandum of agreement, between the ministry and Agri-corp that outlined the responsibilities of the board, of the CEO, of myself and of the minister. So we would have operated under those general guidelines and principles in the MOU. There are appendices in the MOU to deal with some of the regular activities, but I need to come back to the issue that the relationship is an arm's-length relationship. It's not a daily, regular interaction with the agency. The agency is set up for the purpose of conducting that business at arm's length. The basic responsibility of the ministry is to provide that policy direction and oversight to the board.

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Ms Mushinski: So the investment activity, for example, is part of that arm's-length relationship and the day trading that has been alluded to, and certainly referred to, by the auditor through his value-for-money audit.

Mr Ingratta: The general principles on investment are provided. The issue of day trading is not part of that current memorandum of agreement.

Ms Mushinski: When was that first identified? Was it ongoing from 1997?

Mr Ingratta: The day trading?

Ms Mushinski: Yes.

Mr Ingratta: Our understanding is that the day trading took place in October 1999.

Ms Mushinski: There was no such day trading prior to October 1999?

Mr Ingratta: Not that we have or, I believe, the Provincial Auditor has identified. It was a defined, relatively short time period in October. I think the day trading spanned about a two-week period in October 1999.

Ms Mushinski: Those are my questions.

The Chair: Any other questions? You have lots of time left.

Mr Bart Maves (Niagara Falls): I just wanted to pick up on that. Can you clarify, in your best layman's terms that you can—you had ongoing conversations and legal opinions going back and forth between yourselves and the Provincial Auditor and with the federal government starting in 1997 about a certain investment practice or something that was happening on the board. That's

one thing. Another issue is the issue of day trading, which never came up until October 1999. So that's a distinct issue from this other issue that you had. Can you clarify the distinction there?

Mr Ingratta: I would attempt to make that clarification. The dialogue we had ongoing with the Provincial Auditor's office was specifically on the use of the interest in the crop insurance fund. The crop insurance fund, I believe, as of the end of March 2000 was around \$300 million. That's the fund that is used to pay the indemnifications of the insurance policies that exist. Currently there are about \$1.2 billion of indemnifications, so that fund is there to pay claims. I believe the largest claim year that existed under that fund would have been about \$150 million; that would have been in 1992. So the fund exists. It's a large sum of money, and the rules around investment are fairly clear and I don't believe are in question as part of the Provincial Auditor's report.

The question that we had debated for some time, and it appears in this report, is that the fund obviously generates interest. The use of that interest was the point of debate. We argued, and had legal opinion to support, that the act was silent on the use of that interest. That is where we decided, in conjunction with the federal government and the grower groups, to use a portion of that interest for administrative purposes with Agri-corp. The Provincial Auditor's office has argued that the administrative costs of Agri-corp should be paid in their entirety from the federal and provincial grant to Agri-corp. That's the point of some dialogue.

We did make the decision, in the presence of the Provincial Auditor's comment that in their view it was inappropriate, to use some of those interest dollars for defined administrative purposes. We also agreed, as the debate between the Provincial Auditor's office and the ministry continued, in order to end the debate, because we didn't want this to go on ad infinitum, that when a final legal opinion was sought—we had an audit opinion and a legal opinion. We agreed we would seek a final legal opinion and we would be bound by that legal opinion. When we received that legal opinion that suggested that the interest from that large fund should not be used for administrative purposes, then we—or Agri-corp, more correctly—returned the dollars to that fund, after the final decision had been taken.

Mr Maves: Now—

The Chair: I had some questions as well, but go ahead. You've got five minutes left.

Mr Maves: I went back, because the auditor audits 47 of our schedule 3 agencies. In the course of doing that audit, they publish in the public accounts a letter every year that tells the reader the basis of their audit, and it's directed to the board of directors of Agri-corp or to the ministry of public account. It's the same letter every time. It basically just says, "I've done the audit and in my opinion the financial statements present fairly the financial position of the corporation," da, da, da. To anyone reading it, the letter says, "I've done the audit and it gives you a clean bill of health."

I've also got some letters that went to the chair of Agricorp, though, that said, "You will be pleased to note that I have given an unqualified audit opinion on the enclosed financial statements Nevertheless, a management letter suggesting areas for improvement will be sent to your attention presently."

Would you be copied, as a ministry official, on those letters when the auditor of that agency is saying—and the auditor can correct me if I'm wrong—"In the course of doing my audit, as the auditor of these agencies, we found some things that are of concern, so we are sending a management letter suggesting areas for improvement to Agricorp"?

Either one of you can answer this question: Would you have been copied on that and, if so, did you also have conversations with the auditor's office about that situation? It's actually Ken Leishman, the assistant provincial auditor, who wrote the letter. I'm curious about the relationship and the communication between the auditor of these agencies and the ministry responsible for that.

The Chair: Mr Ingratta, if you want to give an answer first and then Mr Peters, then I'll go over to Mrs Munro. Go ahead, sir.

Mr Ingratta: The Provincial Auditor would have direct contact with the chairman of the board of Agricorp. Agricorp is the client on that financial audit, so that would have been the first point of contact. Certainly, over the course of the value-for-money audit we would have had dialogue with the Provincial Auditor. But Agricorp is the client of the financial audit—

Mr Maves: I know; I understand. That was the 1998 audit. Then again, in the 1999 audit there is a letter that went out that said, "I give an unqualified audit opinion on the enclosed financial statements and suggestions for areas for improvement will be part of a value-for-money audit plan." From reading this, I think the auditor uncovered some more concerns with the management of Agricorp, told Agricorp he had some concerns, didn't include those concerns in the letter but said he would include them later on in the form of a value-for-money audit.

My concern is the communications between the auditor of these agencies and the ministry responsible for these agencies, that if they're uncovering management problems, not only should they address them with that agency, but they should be letting you know because you're responsible for that agency and they're responsible to you and to the Legislature as auditors of that agency for what those things are. Otherwise, how could you and how could the minister possibly oversee and say,

"Yes, here are the problems identified by the auditor. Did Agricorp fix them?"

I'm concerned about this relationship of communication. What exactly is getting communicated?

The Chair: Who wants to comment on that? Really the time is up, but I think we should have an answer to this question.

Mr Erik Peters: It's different mandates of my office. When we do a financial audit, the audit is strictly designed to assess whether there is a fair presentation of the financial position of the operating results of the entity and of its cash flows, but we do not in that audit particularly opine whether things are prudently done within the organization. That is subject to section 12 of the Audit Act, under which I separately report. This is why in many agencies—I'll give you an example. In the Workers' Compensation Board, for example, on WSIB, the Minister of Labour actually introduced special legislation that value-for-money audits be conducted, although the financial audit was going on all along. So the communication of the management points—in this particular case the prime addressee of our financial audit is actually the board of directors that has the governance function, and that's why we—

The Chair: We'll have to leave it at that because the time is up, and a vote is being called for in the House fairly soon as well.

Interjection.

The Chair: Yes, you did get your allotted time, Mr Hastings, you really did.

Anyway, what I would suggest is that we have a subcommittee meeting between now and the next meeting to decide, first of all, whether you want to continue with this on the December 21 meeting or what you want to do on the December 21 meeting. Maybe the caucuses can get their position on that between now and then. So we'll have the subcommittee meeting probably next Tuesday or Wednesday, when it can be arranged with everybody.

Ms Mushinski: Mr Chair, I don't think we have actually been informed by the clerk yet.

The Chair: Yes, we are. Well—

Interjection.

Ms Mushinski: It hasn't been determined? So I think the discussion last week was whether we would be meeting on December 21 if the House isn't sitting.

The Chair: That's right.

Thank you very much for attending here today, Deputy, and the rest of your delegation. We appreciate your attendance. With that, the meeting's adjourned.

The committee adjourned at 1201.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 14 December 2000

Journal des débats (Hansard)

Jeudi 14 décembre 2000

Standing committee on public accounts

Special report,
Provincial Auditor

Subcommittee report

Comité permanent des comptes publics

Rapport spécial
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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 14 December 2000

Jeudi 14 décembre 2000

The committee met at 1032 in committee room 1, following a closed session.

SPECIAL REPORT, PROVINCIAL AUDITOR
MINISTRY OF HEALTH
AND LONG-TERM CARE

Consideration of section 3.09, emergency health services.

The Chair (Mr John Gerretsen): Good morning everyone. I'd like to call the meeting to order. I'd like to welcome the delegation from the Ministry of Health. Perhaps, Mr Burns, you could introduce the people who will be making a presentation initially. We would hope that you would keep your presentation to about 15 minutes and no more, and then we'll throw it open to questioning from the members of the committee.

Mr Daniel Burns: Thank you, Mr Chairman, and good morning. Our opening presentation will be made in part by myself and in part by Mary Kardos Burton, the executive director in the health care programs division, who is sitting just to my left. We have other managerial and professional staff with us who work in various aspects of this program. If it will be helpful to the committee later on, they will be participating in the discussion phase of this morning's meeting.

Let me begin by saying that the ministry is committed to the enhancement of a health system that reflects the government's vision for the future of health services in the province, and that vision is of a system that promotes wellness and improves health outcomes through accessible, integrated, quality services for all Ontarians at every stage of life, and as close to home as possible. It's because of that commitment that the Ministry of Health and Long-Term Care is also committed to being responsive to the analysis and recommendations of the Provincial Auditor. Our programs are large and extensive and the result of that is that the Provincial Auditor works in our ministry every year. It's an important part of our annual cycle of assessing the quality of our work to work with the Provincial Auditor and respond to the recommendations he makes.

Today, Mary Kardos Burton will address the recommendations of the Provincial Auditor with regard to emergency health services. But before she speaks, I would like to take this opportunity to give you a brief

history of the government's recent initiatives concerning land ambulance services. The Ambulance Act, as amended by the Services Improvement Act, 1997, and the Tax Credits and Revenue Protection Act, 1998, sets out the legislative framework for the funding and delivery of land ambulance services under municipal jurisdiction.

On January 1, 1998, each upper-tier municipality became responsible for funding all costs associated with the provision of land ambulance service within its area. The legislation required the transfer of service from the province to a designated municipality or delivery agent by January 1, 2000. It's important to note that this was one part of a much larger realignment of services between the province and the municipalities.

On March 23, 1999, the government announced its intention to extend the deadline for municipalities to assume responsibility for land ambulance to January 1, 2001. The government also announced that the province would share the approved cost of land ambulance with municipalities on a 50-50 ratio beginning January 1, 1999. To date, 18 upper-tier municipalities have assumed responsibility for ensuring the provision of land ambulance services in their communities. The remaining 32 upper-tier municipalities will assume responsibility by the legislated deadline of January 1, 2001.

The Ministry of Health and Long-Term Care and the Association of Municipalities of Ontario jointly established the land ambulance implementation steering committee, LAISC, that has worked collaboratively to resolve ambulance transition issues. Ministry consultations are ongoing with municipal representatives at LAISC and directly with municipalities. The province has approved a funding template for cost-sharing land ambulance costs on a 50-50 basis. A standards subcommittee of the land ambulance implementation steering committee has been formed to review all standards related to ambulance services, including response times. These initiatives are a demonstration of the ministry's commitment to continue working with municipalities to achieve a seamless transition of responsibility for land ambulance services and to ensure that safe and reliable ambulance services are available to Ontarians.

That having been said, members, I'm pleased to introduce Mary Kardos Burton, who will address the specific recommendations of the Provincial Auditor regarding

emergency health and provide you with a broader picture of ministry efforts concerning this crucial health service.

Ms Mary Kardos Burton: Thank you very much and good morning. I am pleased to meet with the standing committee on public accounts today and to present a response to the Provincial Auditor's Report on Emergency Health Services.

Land ambulance services contribute to the health and quality of life in hundreds of municipalities and unorganized areas of this province. They respond to more than 1.2 million calls a year. Last year, approximately 67% of the calls were for emergencies. The air ambulance program was established in 1977 to transport patients who were inaccessible by land ambulance or in situations where transport by land ambulance was dangerously time-consuming. Air ambulances are also used to transfer medical teams and organs for transplants. The ministry contracts with private operators of helicopters and airplanes to provide these services.

Earlier this year, the Provincial Auditor assessed the ministry's performance on emergency health services, and I'm happy to say that the ministry has made substantial progress in the full portfolio of areas evaluated by the auditor. The first area is land ambulance. The auditor recommended that the ministry ensure, after the completion of realignment, an Ontario land ambulance program that is seamless, accessible, accountable, integrated and responsive. These are the principles that are outlined in the land ambulance program and were endorsed by a land ambulance transition task force.

The Ambulance Act clearly establishes standards for ambulance operations. On assuming responsibility for land ambulance services, upper-tier municipalities sign a memorandum of agreement with the ministry. As of December 11, 18 upper-tier municipalities had signed this memorandum. Emergency health services branch field offices will ensure the remaining sign by December 31.

The ministry will monitor the transfer of responsibility through operational reviews, inspections, investigations and central ambulance communications centres. Services with patient care or public service deficiencies will be quickly addressed.

Looking ahead, the certification process is underway and will be completed for all new operators by June 1, 2001. Ongoing operator reviews are scheduled to ensure every station and service will be reviewed by December 31, 2002. A database is being developed for availability by this December. Ongoing non-compliance may lead to certificate revocation.

In July 2001 the ministry, through our field offices, will assess the impact of realignment. If necessary, corrective measures will be taken in co-operation with the affected municipalities. Preliminary discussions are being held with field office staff on the monitoring of land ambulance realignment. This field office contact report format, to be available by this December, and database, to be developed in the first half of 2001, will tie into the operational review database.

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On ambulance dispatch, the auditor suggested the ministry and municipalities work to ensure that municipal boundaries do not impair the delivery of ambulance services to patients or add significantly to costs. The ministry is working closely with municipalities as they assume responsibility for land ambulance services, including addressing boundary issues through the EHS field offices. In addition, central ambulance communications centres advisory committees have been established to work with municipalities, monitoring service delivery near and across municipal boundaries to ensure seamless ambulance service.

To help guarantee that the funds provided to municipalities are reasonable and equitable, the auditor recommended that the ministry develop a process that assesses relative needs and ensures equitable funding across the province. The auditor also requested a definition of which costs qualify for provincial funding. The ministry, with the land ambulance implementation steering committee, has established a subcommittee to review and make recommendations on standards and costs. The subcommittee has finalized its joint report on costs.

I'm pleased to report that the government has approved a funding template which defines approved land ambulance costs for purposes of provincial cost sharing. The funding template was distributed to all municipalities in October. This template will help ensure the provision of funding is consistently approved in all areas. The approved costs, by way of principle, are additional costs that municipalities incurred, for example, costs of fuel and insurance. The principle is also that the municipalities will be funded for whatever number of vehicles and staff they had prior to assumption.

Municipalities are preparing budget submissions based on the approved costs template. Our emergency health services head office will review all submissions prior to final approval to ensure consistent application and use of the template.

The subcommittee of the land ambulance implementation steering committee met in November to begin its review of standards, including the response time standard. A key area of the auditor's report is response times. To ensure ambulance response times meet the needs of patients throughout the province, the auditor suggests that the ministry and municipalities join to review current response time requirements to determine if they are reasonable and consistent, and to make adjustments where necessary. The ministry and municipalities have agreed to jointly review current standards. An LAISC subcommittee was formed to review standards, including response time, and held its first meeting in October. The response time review should be completed in the spring.

The auditor also recommended the ministry take appropriate corrective action where specified response time requirements are not met. The ministry is continuing to monitor and analyze the response time of each upper-

tier municipality and designated area to measure how well response standards are being met.

On dispatch response times, the auditor recommended the ministry establish dispatch response times to better meet the needs of patients. Dispatch standards will be incorporated into a performance agreement to be signed by each dispatch centre and the ministry. Performance agreements for central ambulance communications centres are planned for implementation early in the new year.

The auditor recommended the ministry monitor dispatch standards to see if they are being met. Adherence to performance agreements will be closely monitored and corrective action taken where necessary. In addition, extra resources, including training and technical staff, are planned for each dispatch centre to assist with standards compliance. Also, the priority card index has been reviewed, and a new computer-aided dispatch system will be implemented over the next few years. Central ambulance communications centre reviews, with field offices monitoring performance and reporting findings, will commence early in the new year.

The auditor recommended the ministry take timely corrective action where necessary if dispatch standards were not being met. The ministry will take timely corrective action. Measures are included in the performance agreement, as mentioned earlier.

Turning to redirect consideration and critical care bypass, the auditor recommended the ministry analyze the impact of redirect consideration and critical care bypass on ambulance services, including response times for subsequent patients and, where necessary, take corrective action. The ministry has established a working group to review redirect consideration and critical care bypass, including its impact on ambulance services. The recommendations of this group are currently under review. In addition, in August 2000, the emergency health services branch circulated a new standard for ambulance services which permits an ambulance, when transporting a patient who is at risk of losing life or limb, to override the RDC/CCB status of a hospital and advise that hospital that the ambulance will be bringing in a critically ill patient.

On dispatch priority, the auditor recommended the ministry ensure that central ambulance communication centres appropriately assess and prioritize patient needs. The ministry is planning to add 10 dispatch training coordinators across the province to further refine the priority of calls. In addition, as mentioned earlier, a technical group, the dispatch priority card index working group, has reviewed the priority card index. A computer-aided dispatch system will be implemented over the next few years.

On performance monitoring, the auditor recommended the ministry research systems to analyze operator performance, including its impact on patient outcomes, and take corrective action where necessary to help ensure the land ambulance system meets patient needs. The ministry now has a fully defined and implemented certification

process that focuses primarily on patient care provided by operators. A review of the certification criteria and process will occur annually. Monitoring of patient care scientific data will be undertaken to ensure that certification criteria are medically sound.

Regarding corrective action, the certification process for ambulance operators under the Ambulance Act provides for action where a contravention of standards has occurred. Follow-up visits are conducted for each applicant where a breach of one or more certification criteria is found. Failure to meet these criteria will result in an applicant or operator being denied certification to operate a service. Failure on the part of an existing operator may lead to the loss of the business enterprise.

A key component of performance monitoring is service reviews. To ensure ambulance operators meet ministry requirements, the auditor recommended the ministry consider performing certification reviews without advance notice to increase assurance of consistent quality of practice. The ministry is putting in place an inspection process based on random inspections without notice. Any follow-up visits will be conducted with short or no notice, depending on the nature of the certification breach.

The auditor recommended the ministry have, on a timely basis, a coordinated follow-up of all deficiencies identified during certification reviews. The ministry will follow up on deficiencies.

The auditor recommended the ministry clarify the circumstances when a formal investigation of an operator is required and when a certificate is revoked. The ministry reviews every complaint received to ensure requirements are being met. Where there is substantial evidence they're not being met, a formal investigation will be conducted. If a complaint falls under some other jurisdiction, it will be referred to the proper authority. Certificates will be considered for revocation where a contradiction of Ambulance Act standards exists.

To ensure emergency patient needs are being effectively met, the auditor recommended the ministry review central ambulance communications centres and base hospitals within reasonable time frames. The ministry will develop schedules to ensure that operational reviews are conducted within reasonable time frames. In addition, continual review of communications centres will take place within 2001. Base hospital reviews are scheduled to be completed over a three-year period, with nine reviews slated for 2001.

The auditor recommended the ministry resolve all identified deficiencies on a timely basis. Identified deficiencies are discussed with the operators/managers and corrective action plans are developed. Corrective action taken will be monitored. Announced and unannounced service reviews and certification visits are being coordinated with field office staff visits.

1050

A final component of performance monitoring is complaints. The auditor recommended that to better enable it to assess whether complaints are satisfactorily

resolved, the ministry should establish clear lines of responsibility for following up on deficiencies identified in investigation reports. A process for investigating complaints received by or referred to another jurisdiction relating to land ambulances has now been developed for presentation to the land ambulance implementation steering committee this month. Complaints and investigative findings are reviewed with field offices on an ongoing basis. The auditor has recommended that the ministry ensure that follow-ups are completed and documented.

The Chair: Are you about to wind up? I really think it's important for us to get to the questioning as soon as possible.

Mrs Lyn McLeod (Thunder Bay-Atikokan): It might be helpful, Mr Chair, if there are points that add new data that are not already in the ministry's written response in front of us, that might be submitted, as opposed to rereading what is in the auditor's report.

The Chair: We have limited time this morning. Although I appreciate what you're saying, we like to adhere to the 15-minute presentation time as strictly as possible. Are there any comments you wanted to make about the air ambulance service, since that is one main area you haven't dealt with?

Ms Kardos Burton: What I would raise in terms of the air ambulance program, then, is just the points that the auditor raised. The auditor recommended that the ministry better demonstrate, through proper documentation, that air ambulances are used appropriately and that the aircraft selected meet patient needs. We can discuss through the course of this what we have done about that.

The Chair: Why don't I throw out the questions at this point in time. We'll have 20 minutes for each caucus and then we'll have about five minutes left to discuss what else we should do with respect to this matter. I'll start with the Liberal caucus.

Mrs McLeod: We have a number of questions. I appreciate the fact, as the deputy has said, that this realignment, including a cost downloading—and I use that term advisedly—is part of a larger context and was not something the Ministry of Health requested. I think you've got a huge problem on your hands, and we're extremely concerned about the potential dangerousness of the situation as January 1 approaches. I consider this to be a really serious set of issues that we're talking about today.

Let me start with resources. We have a template that talks about the kinds of things that need to be covered on a 50-50 basis. What we don't have is how much money is going into it. To this point, to the best of my knowledge—I'm looking to Mr Clark—we know there was the \$25 million you mentioned at estimates that had been agreed upon, which I think was primarily, if not exclusively, for capital. But we also know the auditor has said that you need \$100 million more just to get to the 1996 response time, and that there is an additional \$64 million in one-time severance costs. That wouldn't be part of the 50-50, but I assume that's already been committed by the government.

In terms of the dollars that are there to meet the 1996 standards, as a minimum standard, what kinds of dollars have been committed to the municipalities?

Mr Burns: Just on the final point that you've made, I think we indicated in the presentation that the template for the base current costs was dealt with in the last few months and we are now engaged in a very detailed discussion about standards. It's really only with that in hand that you can make a soundly based final judgment about resources and timing, and that will take some further months and some further discussion to complete.

Mrs McLeod: That was going to be my second question, because I don't know how you can determine what you're spending 50% of if you don't have a standard in terms of response times that you're prepared to meet. Obviously it is an operating cost in terms of the number of ambulances and numbers of ambulance drivers/paramedics. We know that the Fleuelling inquest recommended, for Toronto alone—I think the implications of the Fleuelling inquest were something like 118 new paramedics, if that's correct.

Ms Kardos Burton: I think it's important to remember that there are base costs that are spent on the ambulance program. We currently spend approximately \$280 million. There are additional costs on top of that, some of which you mentioned, in terms of severance costs, which we did pay in terms of this transfer. The \$30 million was for fuel insurance. These are the things I mentioned earlier.

In terms of looking at response times, particularly with the movement to municipalities, it is important to look at response times and then discuss with municipalities what their plans are for improving response times.

Mrs McLeod: I'm sorry to be so frustrated by this, but it is—what, December 13 today? Have I got my dates right? This takes effect on January 1. This is of critical importance to life in these communities, and there are no standards in place. The Premier in the House talks about a single standard that was put in place in 1996; that's not, in fact, the case. What is still the standard in the certification standards are the response times of the operators that were in place in 1996, so it's not a single standard.

I don't know whether you're looking to set a single standard for ambulance response times or not, but what you're telling me today is that in the middle of December, with the turnover to take place on January 1, you don't know what standards are going to be in place until the spring, and therefore you don't know how much money you're prepared to provide in support for an ambulance service. I'm truly concerned that it's not there now.

Ms Kardos Burton: First of all, it's important to point out that there are standards in place. As you mentioned, the response time standard, just to be very clear, shall not be of a longer time duration than the 90th percentile response time standard for priority 4 emergency calls set by the operator who provided land ambulance and emergency response service in the area in 1996.

That was a point in time that the response time was decided then.

So there is an assessment in terms of the municipalities. We've been working with the municipalities. We've given each one of them their response time information, so there is response time. Response time also changes. It is not set in stone in terms of what a response time is on a particular time. It varies across the province. It varies in terms of urban areas and rural areas.

This is the current standard that is in place, but we're working with the municipalities in terms of—they are a partner—are the standards that we have in place the ones that we will be continuing with or should we be looking at other standards? But there are standards in place. Right now, they know that these are the standards.

Mrs McLeod: I understand that. So let me just take it right back, then. At a minimum, starting January 1, are you committed to funding 50% of the cost of meeting the 1996 standards? The auditor has indicated in his report that that's at least \$100 million more in annual operating costs than is currently being spent on the ambulance system.

Ms Kardos Burton: We are committed to funding 50% of mutually agreed upon standards.

Mrs McLeod: So there will be at least \$50 million more for operating to be committed by the government in the next two weeks to municipalities for ambulances to meet current standards?

Ms Kardos Burton: I think we need to go through our review and then determine what the actual costs there are.

Mrs McLeod: How much money is on the table today? I'm going to push this, because those municipalities cannot take this service and provide it on January 1, three weeks from now, without having dollars. How much money has the ministry committed to the municipalities to run the ambulance service?

Ms Kardos Burton: We have the \$280 million that I mentioned earlier. There is an additional \$30 million. There are some additional costs that the province has paid. The province continues to pay 100% of the dispatch costs, which are approximately \$38 million.

The other point that I would like to raise in terms of municipalities, and I think this is very good news, is that some municipal councils have decided to add additional funding in terms of meeting their own response time standards.

Mrs McLeod: I understand that. Is the ministry committed to funding 50% of their additional costs?

Ms Kardos Burton: The ministry is committed to funding 50% of mutually agreed upon standards once we do our standards review.

Mrs McLeod: Once you have the standards. So those municipalities have gone on their own—

Ms Kardos Burton: They have.

Mrs McLeod: —to put 100% of the additional costs in at this point in time.

I've got too many questions, obviously, because there are a lot of very, very critical issues here. You said that

18 municipalities have signed and you expect to have the others sign by January 1. I know there are reasons for delay. In Kenora, for example, they don't have anybody to deliver the service. They haven't been able to reach a local agreement on delivery. What happens in the next two weeks in Kenora?

Ms Kardos Burton: Kenora has just recently taken a decision in terms of delivering the service, I think. Our staff has been up there in terms of looking at the certification. We expect that this week the process will be finalized and that they will be delivering the service January 1.

I have with me Malcolm Bates, the senior manager. Perhaps he can speak more specifically about the certification in Kenora.

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The Chair: If everybody could move down one, then everybody will have their own microphone. Go ahead, Mr Bates.

Mr Malcolm Bates: Perhaps I can go back a second, because I think you've raised an important question about standards in the sense that there are numerous standards in place with respect to patient care, vehicles, equipment, certification, communicable diseases. Something in the vicinity of 27 standards are in place. As Mary indicated, 18 municipalities have already assumed responsibility, some as early as January 1 of this year. They are working effectively under the standards that are currently in place and they have been certified with respect to whether or not they meet the standards on how their service is being provided.

Kenora, as you bring up, is going through a procedure at this particular point in time to select a way they intend to provide service on January 1. As I understand, they made a decision on the weekend. They did an extensive review of how they wanted to do it and they came to the conclusion that they would do it themselves in-house primarily, although they do have two contracts already arranged.

We have been in the Kenora district, working with DSSAB in Kenora to determine that they are on-line. We fully expect that by this week or early next week, they will have what they require as far as our satisfaction that they will be able to provide the service beginning January 1.

Mrs McLeod: Are you satisfied that every municipality will be in a position to maintain a continuous ambulance service as of January 1?

Mr Bates: We are satisfied that they will be. We have checked and certified all of the services that are currently being provided by the municipalities and have worked with the other 31 that have not yet assumed. They all have staff in place. They know what they're doing. They're enthusiastic about it. The ones that have already assumed are providing, as I say, excellent service at this particular point.

Mrs McLeod: Are they all prepared to meet the 1996 standards for their area, whatever that might have been,

without the additional funding committed from the government yet?

Mr Bates: I think as Mary indicated before, they're working with us with respect to response times. We have a standards committee that is looking at response times and other standards—not just response time but other standards as well—and working closely with us. We expect over the next few months that further resolution of response times will come to pass.

Mrs McLeod: I want to leave some time for my colleagues, so maybe just one other area, particularly now, on dispatch response times. There is some confusion in the report of the subcommittee that the auditor has identified, and that is that there was a recommendation that some municipalities should be allowed to run the dispatch system but not forced to run it. Can you tell me if there has been a final decision about who is going to run the dispatch system?

Ms Kardos Burton: As I said earlier, currently the province pays 100% of dispatch. Some municipalities run their own. Toronto, for example, does run its own dispatch. During this last year we've had requests from a number of the larger municipalities particularly. They've requested that the government do pilots in terms of running dispatch. We've been talking to them about dispatch, but right now there has been no decision taken as to changing dispatch governance.

Mrs McLeod: So as long as there is no decision taken, the ministry continues to be responsible for the dispatch system.

Ms Kardos Burton: The ministry continues to be responsible.

Mrs McLeod: Why has it been decided to take dispatch response times out of regulations—I think they were under the Ambulance Act—and negotiate individual dispatch response times with each of the dispatch centres? Why not have a single standard for ambulance dispatch response times across the province?

Mr Bates: At the time the act was being reviewed, there was a question as to what should be considered to be included in the act and what could be taken out of the act. It was a review of the red tape area, and the decision was made that ambulance standards could be better utilized within a performance agreement. The Ambulance Act requires an agreement to be signed between every agency that receives funds directly from the province, and central dispatches and dispatches are, of course, in that category because we're funding 100% of dispatch. So performance standards will be included in the performance agreement to be signed by dispatch centres.

Mrs McLeod: What possible advantage could the Red Tape Commission, or whoever was running this—what possible advantage could there be in taking a single standard out of the Ambulance Act and having different standards for ambulance dispatch negotiated with each centre? How does that solve any red tape problems? It seems to me that increases red tape and it certainly creates inconsistencies. What was the gain?

Mr Bates: I'm sorry, I can't answer why they did that, but I can tell you that the standards will in fact be consistent from one dispatch centre to another. It will be a consistent performance agreement, so the standards that are required will be the same.

Mrs McLeod: So the government will still set a single standard and incorporate that in every agreement?

Mr Bates: That's correct.

Mrs McLeod: But not be bound to it by the act?

Mr Bates: The act in fact does bind, because the act refers to performance agreements that must be signed.

Mrs McLeod: I'm going to turn it over to my colleague. I hope, Mr Chair, there will be time to get back at least to air ambulance, as well as to redirect in critical care.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): You mentioned agreements with upper-tier municipalities. How many municipalities are going to be providing the service that are not upper-tier municipalities?

Ms Kardos Burton: I don't have the figures right in front of me. There are upper-tier municipalities, but there are also the DSSABs in the north, which are designated delivery agents. But I don't have the actual figures right here in front of me.

Mr Cleary: Not only in the north—

Ms Kardos Burton: No, in the south too, right. I just don't have the actual breakdown.

Mr Cleary: Will we be able to get those figures?

Ms Kardos Burton: Yes, we'll certainly look into that.

Mr Cleary: The other thing I want to know: for municipalities that are taking over the service, are you going to pay for their new computers, software, uniforms, telephone systems and things like that?

Ms Kardos Burton: Our funding template does cover some administrative costs, so we're working through that with municipalities.

Mr Cleary: What percentage?

Ms Kardos Burton: It's up to 10%.

Mr Cleary: What about records and things like that? Will they be transferred to the municipality?

Ms Kardos Burton: Is there anything you're thinking of specifically?

Mr Cleary: Yes. They want to get access to financial records for individual ambulance buses to determine which or if any—

Ms Kardos Burton: Certainly any information that the municipality needs to do their job will be transferred to them. There are certain protocols that we're still working through with the municipalities in terms of some information and we're doing that now.

Mrs McLeod: Just to follow up on my colleague's questions, why would there be any ambulance services being run by other than the upper-tier municipality organization or, in the north, the DSSABs?

Ms Kardos Burton: We went through a process in terms of designation, and it was whoever—

Mrs McLeod: I know the northern situation extremely well. I didn't think it would be a problem in the south as it is in the north, but apparently you're going to have the same problems in some of the southern areas. It's tough enough with ambulance service to try and figure out who's going to be responsible for what portion of this cost when you're crossing municipal boundaries, as the DSSABs do in the north. If you've got a non-upper-tier municipality anywhere, including in southern Ontario, that's trying to administer a service that crosses municipal boundaries, how the heck are you going to figure out who pays what portion of it?

Ms Kardos Burton: Municipalities can come to agreements among themselves.

Mrs McLeod: Not lower-tier municipalities. If a lower-tier municipality is running it, they can't charge it to the other municipalities.

Mr Burns: But the upper tier can. It's the upper-tier municipality's responsibility to figure out how to do it best in their own community, whether they want to do it—

Mrs McLeod: Even when they're not running it, Deputy?

Mr Burns: —whether they want to do it directly or whether they want to do it by contract. If they want to do it by contract, a potential contractor is another municipal entity.

Mrs McLeod: Are you saying there's no situation in which the upper-tier municipality is not still the contractor?

Mr Burns: In the south?

Mr Bates: Excuse me. I think you may be referring to a situation in which a separated city, such as Cornwall, was selected as the designated delivery agent. Is that correct?

Mr Cleary: Yes.

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Mr Bates: Of course, in that particular instance they would have all the requirements and responsibilities of a delivery agent. They were selected through a proposal system. If the upper tier and the separated city both wished to operate the ambulance service, the possibility was that either one could do it, and a selection process was put in place. In the instance of Cornwall, Cornwall's proposal was selected and they were named as a designated delivery agent for the provision of ambulance service.

Mrs McLeod: And they will now levy charges against the upper-tier municipality?

Mr Bates: Adjoining upper-tier municipalities? Yes.

Mr Burns: Just on the language, I don't think they're levying a charge; they're contracting to provide the service in that particular piece of geography.

Mrs McLeod: All right. We'll come back to that later.

The Chair: You've got a minute and a half left.

Mrs McLeod: Given the fact that there are no standards, that there is no agreement on what 50-50 cost-sharing is, that municipalities are opting, on their own, to put additional resources in, there is a municipal charge

that's going to be levied in some way, and it is going to be difficult to know who does what.

Just to touch on air ambulance before I use up my time, the fact that air ambulance systems are not in compliance, according to the auditor's report, 44% of the time with a dedicated air ambulance is a tremendous concern. It was shocking. I don't understand that. I don't understand why the preferred air ambulance system is in the air within the 10 minutes 68% of the time and the dedicated air ambulance is not. We understand that no data has been collected that can explain that. Do you have any sense of why the air ambulance is not in compliance with the standard that has been set?

Ms Kardos Burton: I'd like to introduce Fred Rusk, who's our manager of air ambulance for the province.

Mr Fred Rusk: I can answer that very simply. The standards that were in place are the reaction-time standards for all air ambulances.

Mrs McLeod: How quickly they're in the air?

Mr Rusk: That's correct. We've had discussions with the air operators, and in fact we've revised the standard. Because of the number of issues that can come before them, the biggest one being weather, the next largest one being approval from air traffic control to depart and whether they have to wait for additional equipment or medical teams, we've discussed with them the change in the standard. The change is this: the reaction time for them now is from the time they receive the request from the call and the captain accepts that request—because, as you can appreciate, the captain must be fully cognizant of the weather situations for them to depart. I'm sure you can appreciate—

Mrs McLeod: I'm sorry to interrupt, but my time's up. It's not a question of the change in standards, because there are differences. Weather is one that affects both the preferred and dedicated air ambulances equally.

Mr Rusk: But here's what we've done. Instead of being in the air, we've said it's to be ready to receive air traffic control clearance. For the dedicated program, it's 10 minutes—

Mrs McLeod: But they're not in compliance.

Mr Rusk: The new compliance has just been put into place.

The Chair: OK. We'll have to leave it at that. Ms Martel.

Ms Shelley Martel (Nickel Belt): I'd like to go back and begin with the dispatch response times. I want to be clear in terms of the change of having the regulation taken out of the Ambulance Act, now to be incorporated in individual performance agreements. You said, and I want to be clear, that the ministry is still going to have a single provincial standard and that same standard will be incorporated in each individual agreement.

Mr Bates: That's correct.

Ms Martel: And the standard is unchanged or changed as of the time of the audit?

Mr Bates: At this point in time, it is unchanged, but of course it is subject to discussion with the standards committee that has been established.

Ms Martel: But even if there is a change, it will be a consistent change incorporated into each agreement?

Mr Bates: Yes.

Ms Martel: OK. Tell me, if a decision is made by the ministry to allow dispatch to be carried out not only by Toronto but by other communities, are you going to be similarly funding those dispatch centres in terms of the additional resources that you outlined in the audit that would be required? Is there a commitment that if there is a download of dispatch centres, provincial money will flow for extra resources, training, technical staff etc?

Mr Burns: We're going through this process step by step. So the first thing is to determine what people think the next standard regime should be and then what the next dispatch and response-time regime should be. Then, at that point, we will look at whether we've got resource questions or not. If we do, we will of course address them. But we've got a fair amount of discussion to go through before we get to that point.

Ms Martel: But you've already indicated in your response to the auditor that there are resource questions, because you've outlined in your response that considerable extra resources, including training and technical staff, will be implemented in each dispatch centre to assist with standard compliance. So that's a problem now, correct? You know you need additional resources right now.

Mr Burns: The activities that are related to the existing base program of course include training, recruitment, ensuring that we've got the right kind of service delivery mechanisms in place, and we continue to look at all those things, because we're still responsible for managing the service.

Ms Martel: I was looking at the word "extra" specifically, deputy, to assume that there had been some additional costs that had been identified that you were going to cover.

Ms Kardos Burton: Yes, we have made a commitment to provide additional resources on dispatch.

Ms Martel: But at this time, because you don't know if a new governance model will be adopted, you can't comment on whether or not you would also provide the extra resources to municipalities if they took over dispatch.

Mr Burns: If they're required at the end of the day, the province will do what we need to do to make sure the system is funded. I'm simply not predicting what the final outcome will be of all the discussions.

Ms Martel: The auditor commented that although the ministry was aware that dispatch time requirements were not being met, there was very little corrective action that was going to be taken. What are you going to do to ensure in the new performance standards that you're going to implement with dispatch centres that that's going to be corrected?

Mr Bates: There are going to be what we call operational reviews conducted on a regular basis with dispatch centres. There are seven of them scheduled for the forthcoming year. The operational review, for your

information, is a review that is conducted by peers within the ambulance system. With respect to dispatch, a team composed of maybe another dispatch manager, dispatchers themselves from other centres and perhaps a dispatch training officer would go into a dispatch centre and, according to a format that has been developed, review the dispatch centre from top to bottom and be able to determine whether or not they're meeting the requirements of the performance agreement and providing the type of dispatch service that is required.

Ms Martel: I understand that seven are scheduled in 2001. That would leave you with about 10 or 11. That wouldn't happen on an annual basis; is that correct? Is there a similar smaller process that's going to be implemented in the other dispatch centres?

Mr Bates: You are correct in that there are 19 central ambulance communications centres, and yes, as far as random inspections go, if that's what you're referring to, we will have random inspections. We'll have a specialized inspector who will be looking at dispatch centres, as we have specialized inspectors for land ambulance service and air ambulance service.

Ms Martel: Do you know when you'll have the specialized inspector in place? Because the auditor finished his work in about February or March of 2000, so we're—

Mr Bates: I can't tell you precisely, because they're in the process of being hired, if you will; there's a hiring process that's ongoing. That may take two to three months.

Ms Martel: Have the random inspections begun, and are they more regular in terms of occurrence or frequency than what the auditor noted during the course of the audit?

Mr Bates: They will be, that's correct.

Ms Martel: When will that start?

Mr Bates: As soon as these particular people are hired.

Ms Martel: Is it one single inspector?

Mr Bates: No. As I mentioned, it's a specialized person, someone who knows exactly what takes place and can go through a tape. Because in doing an investigation or an inspection of a dispatch centre, a considerable amount of technical knowledge is required. You must be able to go through the tapes, because every conversation, every dialogue in a dispatch centre is taped. A specialist type of approach is required. However, all inspectors and investigators will be taking part in this.

Ms Martel: Let me ask you a question about ambulance response time. The auditor had recommended a review of current response times. The ministry's response was that they had conducted a comprehensive review of response times and you were sharing that data with municipalities. I'm assuming this was done after the auditor finished his work. Would that be correct?

Ms Kardos Burton: In terms of the comprehensive review, last spring the way we shared the data with municipalities was by way of a CD-ROM and all municipalities got the data. It was May-June, last spring, that

they got the data. We sent out the information and then our regional offices actually met with municipalities to talk to them in terms of interpreting that data because people needed some time to actually work through it and review the data.

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Ms Martel: Did the auditor have a look at this comprehensive review? Because it would certainly have fallen under their investigation of ambulance response times.

Mr Bates: The information was available, but I don't know if the auditor specifically did or not.

Mr Nick Mishchenko: The statistics were available, but at the time we did our audit, there had been no review of those statistics. The information, I believe, had been shared with the municipalities and the operators, but I don't believe there was any what I would call review of that.

Ms Martel: Review by your office?

Mr Mishchenko: We were aware of the statistics—that's how we know that over 60% of the operators did not meet standards—but there was no review, that we're aware of, of that information and any action taken by the ministry at the time that we did our audit.

Ms Martel: So are you suggesting that the ministry response doesn't really reply to your recommendation? Page 169.

Mr Brad Clark (Stoney Creek): What is meant by "review"?

Mr Mishchenko: I think it would be more appropriate to ask the ministry what they meant by "review." We're not sure, because that was the response to our—we're not sure what they mean by "review."

Interjection.

The Chair: Mr Clark, your turn will come.

Mr Erik Peters: Are you referring to the sentence where "The ministry and municipalities will jointly review ..."? That was the future tense.

Ms Martel: The next paragraph.

The Chair: What page are we on?

Ms Martel: Page 169. Let me just try and be helpful. The recommendation from the auditor with respect to what you found on ambulance times, which is that they were being met, was to "review current response time requirements for reasonableness and consistency and, where necessary, make adjustments; and take appropriate ... action." The ministry's response was that they "will jointly review standards." The next paragraph talks about "a comprehensive review of response times and is now providing municipalities with access." This is the ministry's response to your recommendation, and I'm still trying to figure out if it was an appropriate response.

Mr Peters: It is appropriate because of the word "now," because the response was framed after we did the audit. So as a result—the way the process works is that we make our recommendations and the ministry then responds. The ministry very clearly has responded that they're "now"—which means probably in the summer of 2000—"providing" this information to the municipalities.

Ms Martel: So your concern was that the data be provided to the municipalities?

Mr Peters: That's right.

Ms Martel: And in terms of that being provided to the municipalities at this point, are there any other changes, either positive or negative, in terms of response times that have been identified? Or is the information already contained in what the auditor had reviewed?

Ms Kardos Burton: I think I mentioned in my earlier comments that response times do change. The information that we gave out was in approximately May or June, confirming the time, but we are working with municipalities on an ongoing basis in terms of response times.

Ms Martel: Is this something that can be tabled with the committee?

Ms Kardos Burton: I can look into that. I'd certainly be happy to look into that.

Ms Martel: That would be helpful.

In terms of your ongoing dialogue with municipalities, I'm assuming it has to do with how they are going to deal with inadequate response times where those exist in individual communities. Is that correct?

Mr Bates: If I could refer you back to page 168 of the auditor's report, which I think is an interesting aspect that the auditor points out, it's the third paragraph down and it states, "In December 1999, the LAISC"—that's the land ambulance implementation steering committee—"stated that 1996 response times might not be the ideal standard. Its costing subcommittee also noted that service and response times in similar jurisdictions were uneven across the province. For example, one municipality was concerned that its 1996 response times were 50% longer than those of a similar-sized jurisdiction."

That's one of the things that the land ambulance implementation steering committee is looking at. I think it's a relevant part of response times. How do you measure response times? What is the ideal way? Because there are conflicting opinions as to how you should do it. For instance, one might say it should be measured in terms of rural areas, urban areas and suburban areas, or something along those lines. That's the sort of dialogue we are involved in and expect to be more involved in with the standards subcommittee in the future.

Ms Martel: All right, but if the ministry and the auditor have already identified that the 1996 standard, whether or not it's appropriate, is not being met in many communities, and you have this committee that's now trying to determine what other standard might be more appropriate, I have a serious concern about what we're going to finally arrive at and what is the cost to municipalities to take us there or to get themselves there.

Ms Kardos Burton: I think there are two points to that. In terms of the committee and what we're looking at, we're initially looking at the plans of municipalities in terms of how they would meet response time, because you're right, that is the current standard.

Ms Martel: For 1996.

Ms Kardos Burton: Right. However, the committee has also identified that in the future, and because we're

partners in this, we would look at whether in fact the standard that's in place now will be the standard for the future. So the first part of the task is not just response time, but part of the task of the committee is to look at what are the plans to meet them.

Ms Martel: Have you given a commitment to the municipalities that if the standards change—first, there are many not meeting the 1996—and if there's a second change around a different standard, there will also be funding arrangements established with them and costs to be picked up?

Ms Kardos Burton: We've committed to 50% of mutually agreed-upon standards.

Ms Martel: Can you give me a clear idea with respect to the template of what the costs are which are covered?

Ms Kardos Burton: Yes. The costs in the funding template are varied in terms of what they are, but the first one is vehicle purchases. It's purchase of replacement vehicles that would meet the legislated standards; administrative vehicles which would be of a similar type. So vehicle purchase is the first one.

I won't go through the whole details. I think you just want the highlights. The items are: the operation, maintenance and repair of vehicles; patient care equipment and supply purchases repair and maintenance; paramedic staffing—just on the paramedic staffing, what the template says is that it's the same type and hours of paramedic staff in place at the time of assumption—paramedic training; administrative costs; severance; taxes; insurance; WSIB; any ER, which is new experimental experience rating assessments; ambulance stations; inter-facility transfers; base hospital costs; and first response teams.

Ms Martel: Can I go back to your staffing? You said as it was—

The Chair: Excuse me, is that template a public document? Can it be tabled with the committee? It is? OK, fine. Thank you. Sorry.

Ms Martel: Can I go back to the staffing, the 50% as of the time of assumption? If it's clear that the municipalities were already not meeting the 1996 standard and that had to do with staffing, why wouldn't the ministry be covering the cost to at least get them to the standard? Shouldn't that have been a responsibility of the ministry before the service was downloaded?

Ms Kardos Burton: To meet the response time? Some have said that.

Ms Martel: Can I ask why the ministry wouldn't do that? I think more than some have said that. In my own community, the mayor has just come forward saying that he needs \$4 million to do this properly.

Mr Burns: First, just to recall, we're doing this in three steps: the present situation; then we're dealing with the standards review; and the dispatch arrangements in the future. It's not surprising that people on the other side of the discussion would like as much resource as they could get to support the program, so we have a bit of that kind of debate going on. What we've agreed, among ourselves, to do for now is to deal with our existing base

operations, because the answer to the question that you've just raised means answering some other questions before you could really get to the full answer.

Ms Martel: I would have assumed, though, that it would have just been a question of equity or a question of principles. If you're going to download something on to municipalities, they should be up to the current provincial standard, and we know many are not. The auditor identified that.

We've got a situation where, I think, not a few communities but probably many are not in that position. That's why I'd like to see the individual data as per municipality and what additional costs the municipalities going to have to bear to bring them up to a standard that should have been in place before the service was downloaded.

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Ms Kardos Burton: As we've already said, I think it's important to focus on what we are doing in terms of the future. We've got a commitment to work with the municipalities on the standards and see what the plans are. There are a number of ways one can look at how you can reduce response time and the mechanisms to do that. We've got a commitment that the municipalities, through this standards committee, are prepared to do that.

Ms Martel: I'm going to assume it was a political decision and not yours, so we'll leave it there.

Let me ask what municipalities are left to be signed—I missed that. You have 18 upper-tier that have and about 31 or so that have to signed?

Ms Kardos Burton: There are 31.

Ms Martel: OK. I'd like to ask you about the redirect and critical care bypass. The auditor made it clear that the ministry would have to analyze the impact of redirect and critical care bypass on ambulance services, and the ministry's response was to talk about the 10-point plan the minister implemented at the end of 1999.

I want to know how comfortable you are feeling with respect to the 1999 plan, in terms of its being effective or not to deal with the critical care bypass problems in the Toronto ambulance service.

Ms Kardos Burton: I'd like to introduce Allison Stuart, the director of our hospital programs, who will address that.

Ms Allison Stuart: In terms of RDC/CCB and the comments in the auditor's report about it, they were based on information made available in the 1997 report of the OHA region 3 working group. Since that time, the OHA and the ministry have worked very closely in terms of the recommendations. The minister immediately indicated her commitment to responding to all the recommendations that applied to the ministry and put around \$225 million into the system.

Since that time, additional funds have been put in that assisted the hospitals. There was around a \$90-million infusion in 1998 and an additional infusion of \$97 million to fast-track the redevelopment of 56 emergency departments. There was \$187 million put into alternate funding arrangements for emergency physicians. There

was \$23 million put in to fund the 10-point plan that was specific to the Toronto and near GTA area.

Then more recently, in the summer of 2000, the emergency services strategy was announced, which included \$46 million for 463 new permanent beds in Toronto and 210 transitional beds in the GTA, and \$16.8 million to add 450 additional flex-beds across the province, 100 new discharge planner positions across the province and six new emergency co-ordination positions, so that there would be emergency co-ordinators in each of the regions we work with—we have the province divided into regions—and of course, the flu vaccination campaign.

Ms Martel: If I might then, why is it, after all that, that the OHA released a report in September 2000 where they said that GTA emergency rooms on critical care bypass or redirect are up 66% from last year?

We know, if you compare the 1999-2000 statistics for the month of August alone, the number of hours that hospitals in the GTA were on redirect or critical care bypass in 1999 was 3,760, and in 2000 it was 4,861. The problem is not getting better.

Ms Stuart: The issue of pressures in emergency departments is really reflective of pressures that are experienced throughout the system, and to a certain extent the emergency departments become the heat sink for this. While there certainly have been major commitments to improve the system; for example, in terms of addition of long-term-care beds, because the acute care hospitals have reported—and there's no question—that they have patients who could be better cared for in long-term-care settings and would be more comfortable in long-term-care settings—

Ms Martel: But this was just with respect to emergency rooms.

The Chair: We'll have to leave it at that, Ms Martel. Government members?

Mr Clark: I will be done very quickly, and then my colleagues can have an opportunity. The first question I'm going to ask is, why would CCBs be declared if a hospital wasn't at capacity?

Ms Stuart: I can't speak to the findings of the OHA region 3 task force report in 1997. I can say that currently when hospitals indicate they are on redirect consideration or critical care bypass, it's because they've exceeded the number of electronic monitors that monitor heart rates and so on that they have available to use on patients, they have exceeded the critical care beds they have available in the hospital and don't have any other beds available to serve patients in critical care beds or they don't have enough staff to manage any additional patients. We're all aware that those three issues interplay, one with the other, to make for pressures in emergency departments.

Mr Clark: How was the funding template arrived at? The municipalities that were on the LAISC committee sat down and had consultations with the government, negotiated back and forth and arrived at a funding template that cost the provincial government an additional \$30 million. Where did the decision on that funding

template from LAISC go from there? Who ultimately had an opportunity to approve this funding template?

Ms Kardos Burton: Once an agreement was reached in terms of where we were moving, any decisions taken by the land ambulance implementation steering committee—first AMO has to go to its board in terms of support, and the province has to go to the government for support.

Mr Clark: So AMO supported the funding template and where they are right now.

In terms of standards and response times, there has been a lot of discussion about response times and the fact that some municipalities across the province can't meet current response times and that the government wasn't meeting current response times. There has been lots of discussion: the auditor has mentioned \$100 million, and another figure that has been mentioned is \$50 million. In discussions with the municipalities, if they had the money tomorrow, could they meet their response times? Hypothetically, if the government were to provide them with the money tomorrow, could they meet the response times? Better yet, how quickly could they meet the response times?

Mr Bates: I think some changes could be made to improve response times. But there is a reality that sets in, and that is that significant extra vehicles would be required—ambulances require six to 12 to 15 months to be constructed—and the number of paramedics that would be required would also be substantial. I think it would take approximately a year and a half to two years before sufficient paramedics from the community colleges could be provided for the type of change you're referring to. So there is a time element.

Mr Clark: Who provided us with the information that it would take 12 to 24 months for the municipalities to meet the standards, based on their capital needs requirements and personnel requirements?

Ms Kardos Burton: I think the municipalities also raised that issue, in terms of the fact that they recognized the human resources and vehicle limitations.

Mr Clark: So the municipalities actually brought it to our attention that even if we were to fund them tomorrow and state that they could go ahead and begin meeting the 1996 standards, it was not physically feasible because they would have to order all the ambulances that are required and get the personnel trained, and it would take 12 to 24 months.

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Ms Kardos Burton: I think I can confidently say that the municipalities recognize the time limitations that there are.

Mr Clark: The auditor's statement in terms of "review current response time requirements," you had stated to this committee that the response time in the database was provided to the municipalities in April or May 1999, or was it 2000? When was that provided?

Ms Kardos Burton: It was 2000.

Mr Clark: Was the auditor aware of the database being provided to the municipalities?

Ms Kardos Burton: Yes, I believe he was.

Mr Bates: We would have to say he was, but I think you'd have to substantiate that from the auditor himself.

Mr Peters: Our fieldwork was substantially completed by March. At that time we were writing the report and we were dealing with our recommendations and the response thereto. This was provided to us as part of the response of that and we discussed the response.

Mr Clark: You were aware before you wrote the document or after you wrote the document?

Mr Peters: We were aware as we were writing the report that this was happening. The fieldwork was completed; we didn't—

Mr Clark: But your document is silent on the fact that the Ministry of Health was actually in discussions and reviewing response times with the municipalities.

Mr Peters: That was provided to us by the ministry and that's why we asked them to—they did write it into our report so it would be made available to the Legislature, together with our report.

Mr Clark: Was this report complete when you found out that the municipalities and the province were currently reviewing, as of March and April, response times? There's no indication anywhere in your document under ambulance response times that the municipalities and the Ministry of Health were sitting down and reviewing the response times and that municipalities indeed had been provided with the response times. Your statement is simply to review it. They were already doing it.

Mr Peters: Mr Clark, we have to become clear on the word "review." What we were aware of at that particular time was that the ministry had provided raw data to the municipalities for a joint assessment between the ministry and the responsibility. That was an ongoing process as we were finalizing the report. I would not categorize that, from our perspective, as a review at that time.

Mr Clark: Then you're going to have to help me out here. Could you provide us with a definition of the word "review."

Mr Peters: A review would be to take a look at the data. What we were made aware of was that communication had taken place—

Mr Clark: I'm sorry, you just said a review would be to be made aware of the data?

Mr Peters: No, a review was start—let me count back. What we were aware of was that the ministry had provided the data. Our recommendation was that the review should take place and at the time we wrote our report, the review had not taken place. The first step had been taken: information had been provided to start a review.

Mr Clark: As I understand it, the LAISC committee was already in the process of reviewing the numbers with the municipalities. So did you know that or didn't you know that? This is very important to me because it states here that you're stating that we should be reviewing it, where in fact the municipalities were already reviewing it with the province and it's not in your document that that was underway.

Mr Mishchenko: At the time that we completed our audit and subsequent discussions with the ministry, we were aware that raw data had been provided to the municipalities. But at that point in time, to our knowledge, there had been no reviews of that. Our recommendation specifically states "review current response time requirements for reasonableness and consistency and, where necessary, make adjustments." At that point in time, that process had not taken place. I'm not sure where that stands today. We understand it is still in process.

Mr Clark: One last question, over here now. In terms of the issue of the response times themselves, the 1996 standard has been referred to many times: 90 percentile. How significant a variance for that ambulance standard could that be across the province?

Mr Bates: I think you can look at some significant—depending upon how you define "significant." But certainly, in certain parts of the province that are very rural, you can expect that response time will be lengthy, versus the more urban areas of the province, where response time can be expected to be, for instance, less than 10 minutes.

Mr Clark: Is it not true that the municipalities have asked us to consider developing evidence-based standards for ambulance response times as well as all the standards for ambulance provision of services across the province? They want it based on evidence as opposed to just grabbing a figure out of the air in 1996 standards. In your community, if you had a half-hour response time in 1996, as long as you meet that 90% of the time, you're in compliance. Isn't it true that the municipalities want to look at a comprehensive review of the standards?

Mr Bates: That is true. In fact, that is what we mentioned previously, I believe, where we drew attention to the Provincial Auditor's report, who did in fact say that. So as I understand it, the standards committee has looked at it and will be looking extensively at that particular aspect of response-time standards.

Mr Clark: So it's the government's commitment to get municipalities to the 1996 standards while they're also negotiating with them in terms of looking at evidence-based standard models?

Mr Bates: I believe that is the case, yes.

Mr John Hastings (Etobicoke North): Thank you very much, folks, for coming in today. What I'd like to revisit is the Ambulance Act and the rationale for re-examining it back in 1996 and prior to that. I guess I'd divide the time-frames: "régime ancien," "régime nouveau". Roughly how long have you been involved, Mr Bates, in this whole area of emergency health care?

Mr Bates: I don't like to admit it, but 18 years.

Mr Hastings: OK. Would it be true that in the 1990s, in the 1980s, in the 1970s, in the 1960s, even before your time, there probably are records over at MOH that would indicate there were redirects in Metropolitan Toronto?

Mr Bates: Yes.

Mr Hastings: Back 20 years ago?

Mr Bates: I'm not sure if there are records, but I would have to say you're probably correct.

Mr Hastings: It was a concept that was around, if you looked in different reference libraries, looked at hospital records, that sort of thing?

Mr Bates: As I understand, the concept came about in the 1980s, when there was a question of creating an emergency health services system, which is what we have at the present time. That is, ambulance services were basically ambulance services remote in the past and the idea was to put it together as an emergency health system including the hospital system, of course, so bringing all the aspects of emergency health together. That was the impetus that took place in the 1980s, and the Ambulance Act recognized that and the operational methodologies that were taken into place recognized that. The types of vehicles recognized that. The central ambulance communication centres recognized that. All of the emergency health system was geared toward that, making it in fact a total system.

Mr Hastings: Would it be safe to assume that there were inquests back in the 1980s regarding redirects and the whole situation that we've seen out of the most recent Fleuelling inquest?

Mr Bates: Well, I can certainly tell you there were inquests. I don't know if the inquests were specifically related to redirect at that particular point in time, but certainly the ambulance system was in effect then, and you might expect that similar types of circumstances took place, I think.

Mr Hastings: My point to all these questions is that there is an underlying thesis around here that somehow the old system, the old centralized, top-down management that was certainly pretty evident when I talked to people who were the private ambulance service providers, needed a little bit of improvement in terms of how they were treated, in terms of how the overheads were dealt with, in terms of their professionalism—everything. In other words, the point is that our members opposite consistently point out that the old Ambulance Act and everything about it was simply fantastic. There were no problems, hardly, just maybe a little more money, and there was no problem with the way it was centralized, the way everybody was dealt with in those days. You were there.

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Mr Bates: I was there, yes. It doesn't matter which era, there are difficulties; there's no question about it.

If you're trying to say, and I don't know, that the Ambulance Act as it changed in the last few years has made significant changes, I think I would have to say that from a quality-based standard, the Ambulance Act now contains some very significant assurances, such as the certification process, such as the standards which we have here.

I would have to say to you that, from a quality viewpoint, the Ambulance Act is much more geared toward maintenance and the continuation of the quality of ambulance provision.

Mr Hastings: Do you believe we're on the right road in terms of the improvements made through amendments

to the Ambulance Act, in terms of a different service delivery methodology, when we get all these issues worked out in the next two or three years?

Mr Bates: That's a difficult question to answer at this particular point in time.

Mr Hastings: OK, thank you.

The Chair: We have three minutes left. Mrs Munro?

Mrs Julia Munro (York North): Much of our discussion has centred obviously around the question of standards and the maintenance of standards. I have two quick questions. Could you give us an idea today how many private ambulance operators there are in the province?

Mr Bates: I believe—and you can't hold me to specifics, if you don't mind, because there are still some private ambulance operators now in effect that as of the official transfer date of January 1 will change. I believe there will be in the vicinity of 20 to 25 private ambulance operators, depending upon how you define it.

There will be contractors such as hospitals which could also be considered to be semi-privates, if you will, because they're now in a private enterprise type of effort. When you have a contract with a municipality, you have to adhere to that and it's the same type of contract that a private enterprise or any other operator would have to adhere to. If you were to count those, then probably there will be 35 contract-type operators in the province as of January 1.

Mrs Munro: But I think we could probably describe even those examples you've provided as public sector in the sense that yes, they may be contracted but they would, if they were associated with hospitals obviously, be viewed that way.

That leads me to my second question, because obviously the whole issue of paramedic training and the support that's provided becomes very important. I just wondered what the government's role is or has been in that area as well with paramedic training.

Mr Bates: In the past, the government has been totally immersed in paramedic training and has been the principal enterprise, if you will, with respect to ensuring that training is done.

There are two types of training basically. There is continuing medical education and then there is, of course, initial training. Initial training of paramedics has taken place through the community college system. We work very closely with the community college system and when an individual graduates from a community college, he or she must pass a provincial certification examination that emergency health services set.

There are also organizations that provide advanced paramedic training above and beyond community college. The Michener Institute, for instance, has provided that in the past several years, that we have paid for as part of the Ontario Pre-Hospital Advanced Life Support study, which is a very important study when it comes to paramedic training. It is designed to look at the effectiveness of advanced paramedic skills. It's a seven-year study. We're now in the fifth year. We expect to

have, of course, the resolution within the next two years. It looks at advanced paramedics and tiered response provisions in 20 communities across the province and is going to determine, as I say, the effectiveness of paramedic acts such as defibrillation, intubation and so on.

Continuing medical education, on the other hand, is something that is provided as well. There are three types of paramedics: primary-care, advanced-care and critical-care paramedics. Now, depending on the level—there's more complex education and training required for a critical-care paramedic than there is for a primary-care paramedic. It varies anywhere from 16 hours a year for primary care to 96 hours a year for the advanced-care paramedic. That is ongoing. We have been providing that type of training through the base hospitals and through our training officers in the province. That will continue, although municipalities will become more involved as they assume responsibility for the training aspects of paramedics in the future.

The Chair: OK, sir, we'll have to leave it at that for now. We're already over the 20 minutes that was allowed to each caucus.

Before we break, there are just a couple of comments that Mr Peters wanted to make, and then I want your direction with respect to the subcommittee's report.

Mr Peters: My comments are largely aimed to help the researcher who has to write a report on this to get some clarification of the record.

The emergency services working group final report: I believe it may have been in the record that it's 1997; I think it was April 1998. Can I have confirmation of that? Is that correct?

Mr Burns: Yes.

Mr Peters: Also, the date of the emergency care 10-point plan: I think the press announcement, at least that we have, was dated December 20, 1999.

Mr Burns: Yes.

Mr Peters: I'll make everybody confused.

The last one is regarding the review. There was an agreement between the ministry and ourselves at the time we wrote the report. The exact wording was, "The ministry and municipalities will jointly review the standards." So it was future tense at that particular time.

The last point is that we did report on problems in the ambulance area in 1996, when we brought to the legislators' attention quite a number of problems. It was not a perfect system.

The very last point is that I would really like to appreciate and put on the record the amount of work that was

committed to be done by the ministry and the update that they have provided.

The Chair: Thank you very much.

SUBCOMMITTEE REPORT

The Chair: We have the subcommittee report. It basically suggests that the committee meet next December 21 to continue with the emergency health services. Is this what you wish to do at that point in time?

Mrs McLeod: I don't have a problem if the committee wants to reconvene next Thursday, but I'm just wondering, given the January 1 date, is the committee meeting in January? Would we be able to discuss this in January?

The Chair: No. The committee will not be meeting, subject to the House leaders' approval, until the last week of February, first week of March.

Would somebody like to move the subcommittee report? Julia, would you like to move it?

Mrs Munro: Sure. I move that the committee meet on Thursday, December 21, 2000, to continue with Section 3.09 (Emergency Health Services) of the special report of the Provincial Auditor if required or to receive a briefing by the Provincial Auditor on the general audit process and the 2000 Annual Report of the Provincial Auditor.

The Chair: OK. So what's the wish of the committee?

Ms Martel: I'd like us to continue with the Ministry of Health next week.

The Chair: Is there agreement on that? There's general agreement on that, then. OK, good.

Mrs McLeod: Does that mean that we proceed to the emergency health services, then, or to the health recommendations throughout the auditor's report?

Ms Martel: The auditor's report.

The Chair: To the auditor's report, the emergency health services, because that was agreed to by the committee beforehand. So, we'll continue with that next week. Is there a need for an in-camera briefing at 10 o'clock? If not, we'll start with that at 10 o'clock, and hopefully we can finish it next week.

If times permits, there was also something handed out with respect to the proposed amendments to the Audit Act that Mr Patten asked for at the last meeting. There is some information here that we may want to discuss either at the end of next week to see what we want to do with that or when we get back together in February. Agreed?

Meeting adjourned.

The committee adjourned at 1200.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 21 February 2001

Journal des débats (Hansard)

Mercredi 21 février 2001

Standing committee on public accounts

Special Report,
Provincial Auditor:
Ministry of Health and
Long-Term Care

Audit Act
amendments

Comité permanent des comptes publics

Rapport spécial,
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Ministère de la Santé
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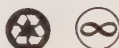
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Wednesday 21 February 2001

Mercredi 21 février 2001

The committee met at 1007 in room 228.

The Chair (Mr John Gerretsen): I'd like to start the meeting right now, please, so we can deal with some preliminary matters before the deputy comes in. Ms McLeod, you had a matter you wanted to raise at this stage?

Mrs Lyn McLeod (Thunder Bay-Atikokan): Yes, I do, Mr Chairman; thank you very much. I'll raise it very briefly, because obviously when the Ministry of Health comes in we'll want to move immediately to the emergency services issue. I would like to place a motion before the committee to ask the Provincial Auditor if he would investigate the cost-effectiveness, value for money, of the decision by Cancer Care Ontario to have the after-hours clinic provided through a private clinic as opposed to doing it in-house, if that motion would be in order. Shall I put it in writing?

Clerk of the Committee (Ms Tonia Grannum): Please.

The Chair: Any discussion? Mr Sampson, welcome to our committee.

Mr Rob Sampson (Mississauga Centre): Thank you, Mr Gerretsen. It's always a pleasure to be under your tutelage.

I'm sorry, Mrs McLeod; you wanted to table a resolution?

Mrs McLeod: I'm just writing it now, Mr Sampson. I'm not intending to surprise the committee with it, but it just follows out of the questions that are being raised about the decision that Cancer Care Ontario has made to deal with the re-referral program by offering after-hours radiation treatment in a clinic that is privately run, as opposed to offering it in-house. I was going to put forward a motion asking the Provincial Auditor simply to investigate the value-for-money aspects of that decision.

Mr Sampson: I don't know that that's a resolution that would be in order for this particular committee. I don't know how this committee can direct or not direct the responsibilities of the auditor in that particular instance or any other instance.

Mrs McLeod: I believe it is in order. The auditor can investigate issues at his own initiative, but he can also investigate at the request of the assembly, which would be triggered by a motion of the committee; that is my understanding.

The Chair: I understand it's in order as well.

Mr Sampson: Does Mrs McLeod have the motion in writing here?

Mrs McLeod: I'm just doing that.

Mr Sampson: What's the formality? What's the process for your committee, Mr Chair? I'm sorry, I should have briefed myself on that.

The Chair: She's putting in writing right now. Perhaps we can discuss it at that time.

Mr Sampson: Why don't we wait on discussion till we see the document on the table.

The Chair: OK.

Ms Shelley Martel (Nickel Belt): I'm going to agree to the motion, but if you want to hold further debate until afterwards, then I'll make my comments at that time.

The Chair: Here they are. Welcome. We'll stand down the motion until it's presented.

SPECIAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF HEALTH
AND LONG-TERM CARE

Consideration of section 3.09, emergency health services.

The Chair: Welcome to the deputy and the other members from the Ministry of Health as we continue our hearing on the special report of the Provincial Auditor dealing with emergency health services. We started the hearings into this matter in December, and this a continuation of the hearings. The last time we left off, we finished with the government caucus, so the questioning will start with the Liberal caucus. I propose that we question for 20 minutes and we can see how many rounds you want to take for the questioning.

Mrs McLeod, would you like to start it off?

Mrs McLeod: Thank you very much, Mr Chairman. The first area I would like to pursue is where we left off in December in terms of the transfer of responsibility for ambulance services with the 50-50 cost-sharing to the municipalities.

The first question I would have is, as of our last get-together in December, there were some 31 outstanding contracts to be signed. I understand those were all signed by January, but I'm wondering if you could tell me something about the process that went into finalizing 31 contracts in the last two weeks of the year and what

happened with those contracts in terms of the nature of the successful bidders.

Mr Daniel Burns: I'm going to ask the ministry staff who are with us to give the substantive answer that's called for by the question.

The Chair: Perhaps you could identify yourself when you start speaking so Hansard can pick it up. Good morning.

Ms Mary Kardos Burton: Good morning. I'm Mary Kardos Burton. I'm the executive director of health care programs for the Ministry of Health and Long-Term Care.

Yes, last time we were talking about the transfer and it was just a few weeks. I'm actually very pleased to report that the transfer went very smoothly. The contracts are signed. We have agreements with all of the upper-tier municipalities, the designated delivery agents.

In terms of the transfer, it was one of those things where we were imagining, "Is this Y2K?" or whatever, but it did go very smoothly. The municipalities are pleased with the level of support they've received from the province. We've transferred all of the vehicles. We've transferred the equipment. I think everything has been taken care of as it should have been, so we're very pleased with the outcome from the first transfer.

Mrs McLeod: Can you give us some understanding of the nature of the contracts that have been signed? Are they primarily with private sector ambulance providers? Are they with hospitals? Are they with municipal providers? How many of the former providers are still providing versus an actual transfer to new providers in those areas?

Ms Kardos Burton: We do have that information. Malcolm Bates, the director of the branch, will give that to you.

Mr Malcolm Bates: There are now in the land ambulance system 22 private operators, 22 hospitals, 25 directly operated municipal services, two boards and seven volunteer services.

Mrs McLeod: Do you have any sense of comparison to what existed before in terms of that same breakdown, excluding the 10 run by the ministry?

Mr Bates: Yes. Of course, the 10 run by the ministry were divested, as you're aware. There were approximately 65 privates, 67 or 68 hospitals—and again, you'll have to forgive me; I don't have the specific, exact numbers, but these are about that—somewhere in the vicinity of 13 or 14 volunteer services and about the same number of municipal. Municipals are primarily volunteers outside of Toronto, as you can imagine.

Mrs McLeod: Thank you. As we looked at the auditor's report last fall, and we were looking at a number of aspects of the costs of divestment and the 50-50 cost-sharing arrangement being assumed by the municipalities, the costs that were in the auditor's report included—I believe this was an estimated cost at the time—\$25 million in compensation to operators for the loss of their businesses, an estimated \$15 million for the breaking of leases, an estimated \$24 million in severance,

and then there were also estimated annual cost increases to bring the services up to the 1996 response time. So the first part of my question around the cost of the divestment is the one-time costs that have been experienced. Do you have final costs now on amounts paid to operators, severance costs and lease-breaking costs?

Ms Kardos Burton: We do have final costs on some of that, but not with us right now. We do have costs on what was paid.

Mrs McLeod: Can you provide those figures to the committee? If they can, Mr Chair, can that be provided to the committee if the committee is no longer sitting on this issue?

Ms Kardos Burton: I just want to be clear: we don't have all the costs, but whatever costs we do have, we can provide.

Mrs McLeod: Is that because the reports have not come in? I assume that in signing contracts, all the severance costs were part of the signed contracts.

Ms Kardos Burton: We would have the severance costs. It's the leases. On some of the leases we don't have the costs yet. They're not finalized. They're still in progress.

Mrs McLeod: In terms of the ongoing cost of the contract?

Ms Kardos Burton: Yes.

Mrs McLeod: You would have the one-time costs of divestment, though, in terms of severance?

Ms Kardos Burton: In compensation.

Mr Bates: In compensation, yes.

Mrs McLeod: If we could get those figures, I would appreciate it, please.

The second cost area is the area you may not have figures for, and that's the annual cost increases. In the auditor's report—and I think that reflected a consulting report that was done for the ministry—there was an indication that it would take \$40 million annually to bring municipal providers up to the response times and another \$53 million—and again, that was in relation to meeting the current standards. I'm not sure if Mr Peters wants to clarify the \$40 million and the \$53 million, but at that time there was a total of \$93 million in estimated annual cost increases as a result of the divestment if the 1996 response times were to be met.

Do you have figures now, based on your contracts? I'm assuming that all the contracts were based on the 1996 standards being met. Is that a fair assumption?

Mr Bates: Maybe I can help out here. At this time, we're in the process of working with each municipality with respect to developing its budgetary costs for this particular fiscal year. I think you are aware that a template was jointly developed through the land ambulance implementation steering committee as a tool to be used by the municipalities and the ministry. That template has been formulated, agreed upon and circulated to all municipalities. Those municipalities are currently at the stage of developing their budgetary costs at this particular time.

Mrs McLeod: I was aware of that. We had all of that information, and we have the template before us. My assumption was—and please tell me if it's wrong—that that was the template that was guiding the contract discussions each of the municipalities was entering into and that the contracts that have all now been signed successfully are based on the template and therefore based on the pre-service level.

Are you telling me, then, that there's no assurance, that the pre-service levels and the inequities that existed at that point in time have not been addressed yet by moving to the 1996 standard?

Ms Kardos Burton: We'll try again. There are two issues in terms of costing. The template is for additional costs that municipalities have incurred just by the mere fact that the deliverer of service has changed. I think we talked about the fact that they are for things like fuel costs, liability costs, insurance costs, tax costs etc.

Mrs McLeod: And the operating of the service at pre-assumption levels?

Ms Kardos Burton: That's right. The principle was that municipalities will be getting today's cost at whatever it was at the time. So if you had a certain number of vehicles prior to taking over, that's the template. So that is an increased cost for delivery of service that we've agreed on in terms of what are the approved costs.

The response time: I think we have indicated there were preliminary estimates for response time, but as Malcolm Bates said, we are going through a process with the municipalities. The response times still need to be met, if that's what your real question is.

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Mrs McLeod: So the costs that are in place now would be essentially the pre-divestment costs and then the one-time cost of assuming the service.

Ms Kardos Burton: Right.

Mrs McLeod: That takes me, then, to the template. I think you may have begun to answer some of my outstanding questions, and those are around the meeting of the 1996 standard and, as well, moving beyond that to deal with some of the concerns that the municipalities have been raising. I guess what you're telling me is you have not reached an agreement with the municipalities about how to meet the 1996 standard, let alone how to respond to their concerns for, for example, going beyond that to have advanced life support paramedics on every crew.

Ms Kardos Burton: We've reached agreement with the municipalities in putting a process in place in terms of the committee. That standards committee has been in place. We've met approximately every three weeks since November. Two parliamentary assistants were supporting that committee. The regional chair of Durham chairs that committee. There's a commitment in terms of municipal staff as well as our staff to meet. What we've agreed to is that each municipality will be putting forward a plan of how they are prepared to meet response time standards. We're anticipating that by late spring or early summer we'll have a projection of those plans.

Mrs McLeod: As part of your work with the municipalities, you had indicated in your response to the auditor's report that you were doing a comprehensive review of response times and that you would be providing the municipalities with the data from the comprehensive review about current response times. I assume that review is completed and you know what current response times are. Is that information which you could share?

Ms Kardos Burton: Municipalities have all the response time information and they know what response times are.

Mrs McLeod: Is that data that you can now share with the committee, since that review is completed?

Ms Kardos Burton: Yes.

Mrs McLeod: Thank you. Mr Chair, I would appreciate that data being tabled and circulated to committee members. Is that still outstanding?

Ms Martel: Yes.

Mrs McLeod: I know we raised this issue as well, the Fleuelling inquest, which recommended that the response times be improved, and that also the training of the paramedics be improved so that there was advanced life support paramedic training for ambulance crew members. Is that something which the ministry is—what I hear you saying right now is that we're still \$100 million short of meeting the 1996 standard. We've got a budget coming up. We're dealing with an area which is really critical in terms of life and death, and that's why it was the subject of an inquest report, as well as the focus of the auditor's concerns. We have an inquest report that says we should be expanding the service to have advanced life support paramedics. I guess my question is, is the ministry focusing solely on getting up to a 1996 response time and putting the ministry's share of that in, which would be about \$50 million, or are you dealing with the municipalities in terms of the need to go beyond that? Because the 1996 response times are already considered by an inquest report to be inadequate.

Ms Kardos Burton: Through the standards committee, our goal was to go beyond that. We decided to say that the first task for us was to try to address the 1996 response times but move beyond that. I think there's a common view that the standard that's in place is not the standard one would have, and you would devise a standard in a different way. So we agreed that we would deal with this and then move on in terms of what the standard should be and work in partnership with the municipalities to do that.

Mrs McLeod: Is it still a fact that some of the municipalities, in the contracts they've signed, have voluntarily gone beyond the 1996 response times and they're paying 100% of those costs?

Ms Kardos Burton: Yes. Some municipalities or councils have taken decisions that, regardless of what the province is paying, they will work on their own toward the standards, and are paying 100% dollars for that.

Mrs McLeod: I assume that in your discussions with them, paying 50% of what they considered to be a

reasonable standard is something the ministry is looking at very seriously.

Ms Kardos Burton: I think the commitment we've always made is that, through the standards committee, if we devise new standards, we will pay 50% of mutually agreed to standards. The province will pay that.

Mrs McLeod: Do I have any more time?

The Chair: You have approximately five minutes left.

Mrs McLeod: I wanted to ask about the air ambulance. I'm probably going to come back to the broader emergency services, but I do want to make sure I get a question about air ambulance in. Of course one of the issues of concern with the air ambulance that is outside the auditor's report—and I think it probably occurred while we were discussing the auditor's report and the concern the auditor had about there not being dispatch aims and the fact that the air ambulance was not in the air in a prompt way—is the privatization of the paramedics who work for the air ambulance system. I wonder if you could tell us what the status of that privatization is.

Ms Kardos Burton: I'd like to introduce Fred Rusk, who's the manager for air ambulance. I think it's important that he also give you some context in terms of how the air ambulance system operates today.

Mrs McLeod: I appreciate that, but we did get all of the background on how the air ambulance service works. We know that it is privatized except for the employment of the paramedics. The issue is, we've seen the RFP that's gone out for the ministry to divest as the employer of the paramedics and to privatize the employment of the paramedics. So I don't think we need a primer on that. I just want to know what the status is of this next stage.

Ms Kardos Burton: That's fair. I was concerned that there was some misapprehension about that. That's fine.

Mrs McLeod: No, nor has there been from the time we started raising these questions.

Mr Fred Rusk: Fred Rusk. I'm the manager of the air ambulance program for the province.

The RFP closed on December 5. We're still currently in the evaluation process of the bids. Once we have the evaluation completed it will go to Management Board for a decision. Is there anything in particular that—

Mrs McLeod: So the decision for Management Board is on the acceptance of one bid over another bid?

Mr Rusk: No, it's based on the recommendation of the evaluation committee.

Mrs McLeod: Right, but the decision is no longer, if it ever was, as to whether to privatize the service; the decision is on who will provide it.

Mr Rusk: That decision hasn't been made. The privatization decision has not been made.

Mrs McLeod: What will the grounds be for deciding, do you think? I'm assuming, if you've gone through a request for proposal process and you're receiving the bids, that there is some serious intent to divest of the employment of the paramedics.

Mr Rusk: Yes. We've asked the prospective bidders to bid two ways: one with the inclusion of paramedical staff along with the aviation staff and the aircraft, and to

bid the other way, with the exclusion of the paramedical staff.

Mrs McLeod: So you're looking for a cost comparison between a bid that would include the paramedics being hired by the private company, and part of your decision is which is the least costly?

Ms Kardos Burton: I think a number of factors have to be taken into consideration when you're assessing those. Cost may be one of them, but service delivery, ease of operation, a number of others.

Mr Rusk: New, improved aircraft and new, improved medical equipment. There are a lot of things that add up in the response to the RFPs.

Mrs McLeod: Can you explain to me why in the request for proposal there was a period allowed of waiving having fully trained critical care paramedics on the air ambulance flights, I think a period of six months?

Mr Rusk: We wanted to give everybody the same opportunity, not only the incumbents but any new companies that wanted to bid, and to have critical care medics available to work on the aircraft has a considerable training period involved. We currently have, right at this moment, about 30 students in a critical care program here in Toronto planning for the new contract, because we're going to be expanding the new program. As well, we have people who are leaving or have left and we have positions to fill.

Mrs McLeod: I don't understand this, in all honesty. I'm from northern Ontario so I know how essential it is to have critical care paramedics in attendance on any emergency flight that goes out of northern Ontario, or in those cases where the flights are in the south. I can't conceive of any way in which you are not risking patients' lives by having any transition period in which you do not have critical care paramedics. It would seem to me that if you cannot even contemplate the divestment of the employment of the paramedics without having this six-month period to give people a fair chance, that you don't want to give the private sector a fair chance when the consequence is six months without critical care paramedics on the flights.

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Mr Rusk: No, it's the expansion of the program. The additional six months will allow them to start off with one critical care flight paramedic and one advanced care paramedic. There is a difference in the skills; however, we wouldn't allow any patient to be cared for with less than what's required. If we needed a third person, we would have a doctor or a nurse or a respiratory technologist accompany those people.

Mrs McLeod: But I'm not sure that is what your request for proposal says. So are we dealing with the realities of the request for proposal, which is the basis on which you're going to be receiving bids, or are we dealing with the good intent of the ministry? I'm really concerned about how this transition period is going to take place.

Mr Rusk: I can't jump to the end of the story right at the moment but our intent is to have as many critical care

flight paramedics as possible on the aircraft at the change of contract on October 1, 2001. Our plans for the training program are to train these people so that we do have the number of paramedics we need on the air program. With the addition of these 25 paramedics, that will give us a full complement. We didn't know, going into the RFP—as I mentioned before, we wanted to give everyone an equal opportunity and not just have the incumbents have an edge.

Mrs McLeod: But the incumbent in this case is the government.

The Chair: This is the last question.

Mrs McLeod: Your request for proposal says very clearly that there can be a transitional period in which you don't have to have two critical care paramedics on every flight, and you've explained why you've put that in, but your RFP also says you can fly with no paramedics at all for just \$150 less for the service. That's in the RFP. How can I not come to the conclusion that it's possible in this divestment process, for at least a period of time, that for a relatively minimal cost, if you can't find the paramedics, you're allowed to fly without them? That's the bottom line in the request for proposal.

Mr Rusk: The reason we put that in there, and I know it's been raised, was to deal with the reality. There are days when we have folks who don't make it in because of weather, they are ill, or whatever, and it allows us—because we're the provider of the paramedics right now. As managers of those paramedics, we were able to bring in backfill people. When we transfer it over to the private sector, they have to have the same opportunity. What we were allowing them to do was, if there was a call and there was one paramedic available and the other one was either late or sick or injured or whatever, we could dispatch the airplane on the call with the appropriate people on board other than a paramedic.

Mrs McLeod: I just would argue that you don't have to give the private sector an opportunity if it puts people's lives at risk.

Ms Martel: Let me follow up on this. Are you telling the committee that on air ambulance flights right now you let air ambulances go without paramedics on board?

Mr Rusk: No, we don't.

Ms Martel: Right now, the standard is that there have to be two critical care paramedics on board when a patient is on board. That's the standard now.

Mr Rusk: That's the standard.

Ms Martel: That's what you live by right now.

Mr Rusk: That's what we do.

Ms Martel: Clearly, what you are saying in this RFP—and the government members should get a copy of this—is that because you're divesting, because someone has decided it's a better idea to privatize this service, you're going to let these operators in the air with fewer than two critical care attendants. Is that correct?

Mr Rusk: We would only allow it if the care required for the patient would need either a physician or a neonatal transport team or an RT. We will take the resources that we have to have on board to look after the patient.

Ms Martel: Do you do it now?

Mr Rusk: Yes.

Ms Martel: I just asked you that question and you told me no. I said, "Do you allow flights to go"—

Mr Rusk: Our standard is to have two paramedics on board, but there are times where we can't have two paramedics on board, one because there are only four positions in the back of the helicopter ambulance, if you will, with two stretchers. So if we have a three-member neonatal team, one paramedic has to get out; one has to stay on board for the safety of the rest of the crew, and they assist the neonatal team. Truly, there are times that if someone is ill and we're short for an hour or two and there's a call that comes in, we would not want to delay the response to that call because we didn't have two. We will put somebody on board, whether it be a doctor or a nurse, along with that paramedic to look after the patient.

Ms Martel: Two things: I ask that you table before the committee those periods of time—you can do it in the last year—where you flew with fewer than the two critical care paramedics. The second point I'd raise in that regard is if you can provide that information to this committee. There is nothing in the RFP, and I have it in front of me, that says the private operator is obligated, if there is a need, to fly with a critical care nurse or a physician or anyone else. That's not outlined in this at all. It says very clearly that during the first six months of service they can operate with two critical care flight paramedics, or one and one advanced care.

Mr Rusk: We put that there to address that reality. We wouldn't allow a patient on board any of our air ambulances not to have the appropriate care.

Ms Martel: If you look at section 7.2, which immediately follows the section I just referenced—let me read it to you. It says:

"7.2. Reduced flight paramedic staffing: at any time during the term of service, the air operator shall have the right to request the ministry, where necessary for operational reasons, for consent to staff each staffed aircraft with:

"(a) one flight paramedic, in which case if the ministry grants its consent to this request, the ministry shall reduce the service fee by \$75 per hour or part thereof that a flight paramedic is absent; or

"(b) zero flight paramedics, in which case, if the ministry grants its consent to this request, the ministry shall reduce the service fee by \$150 per hour or part thereof that the flight paramedics are absent."

I'm sorry but I read this as your giving the operator the right to fly without the paramedics, provided they pay a penalty. I mean, how else do I read this?

Mr Rusk: Certainly we had to address the reality of folks who couldn't show up for work. That's the only reason that's in there. The intent is not to fly airplanes or helicopters without paramedics in the back; it was to address the reality and put the financial penalty on them for the cost of the paramedic.

Ms Martel: Let me ask this: does the government service now fly critically ill patients in northern Ontario

without even one critical care attendant? Do you do that now?

Mr Rusk: No.

Ms Martel: OK, so why are you going to allow the private sector to do that? You clearly are, and the worst part is that there's not even a six-month time limit on it. There's no time limit for that second provision.

Mr Rusk: I can only tell you it was put in there to address that reality.

Ms Martel: What reality? You don't allow it to happen now. You're the provider right now and the paramedics are paid 100% by the province. They are public sector employees. You're telling this committee that right now you would not let one of those aircraft off the ground without having at least one paramedic. Is that correct?

Mr Rusk: To be precise, only if we were to staff the backup aircraft with pilots and crew, except paramedics, if we had to transport blood or human tissue.

Ms Martel: This section doesn't make any reference to blood or human tissue or organs, right?

Mr Rusk: I don't quite—

Ms Martel: It doesn't say you can fly without paramedics in the case that you are flying blood or organs.

Mr Rusk: We're in control of the dispatch of the aircraft and we can send them anywhere in the province for whatever reason: to transport patients, to transport human tissue, to transport blood.

Ms Martel: In the case of human tissue, I might see a reason why you wouldn't need two critical care paramedics. In the case of someone having a heart attack in the back of that plane, I'm sorry, but I can see no reason for the ministry to allow a private sector company to fly with a patient in the back without two critical care paramedics, without even one, as long as they pay a penalty. You're compromising patient care.

Mr Rusk: I don't think I'm compromising patient care if I replace those people with critical care nurses or doctors or respiratory technologists in assistance with the single paramedic who's on board.

Ms Martel: If I might, Mr Rusk, there's nothing in the RFP that puts an obligation on the operator to put any of those people on board. I just read into the record the section that says clearly they don't have to have one or even any critical care paramedics where right now they're supposed to have two. There is no reference here for them having an obligation to have someone else on there either. So what guarantee do we have, after this thing starts up in April 2002, I believe it is, that we're not going to have people who are critically ill in the back of plane without critical care paramedics? What guarantee do we have that that's not going to happen?

Mr Rusk: I can't guarantee that somebody is not going to get ill but I can guarantee that we've got 25 people in the training program to fill all the vacant spots. We're doing our utmost to ensure that that happens, and there are times when we take neonatal teams or pediatric teams that fill in and support the critical paramedics, and we'll continue to do that.

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Ms Martel: Mr Rusk, if the government understood that there was a possibility that critically ill people would be flown and there would be no critical care paramedics, why would the government ever have made the ridiculous decision to privatize this service? You don't allow this to happen right now with your own public servants but you're going to let it happen when the private sector runs it. Why was the decision made to go down this road?

Mr Rusk: The decision hasn't been made.

Ms Martel: What do you mean, the decision hasn't been made? All 36 of those people had to make a choice already. They made their choice back in October.

Mr Rusk: We had to do that to comply with the collective agreements.

Ms Martel: So are you telling us that one of the proposals that Management Board is going to review is the Ministry of Health's continuing to pay to have public servants on these planes? Is that one of the options that's before Management Board, or is going to be before Management Board?

Mr Rusk: That's correct.

Ms Martel: If that's one of the options, can you tell me why you would have gone down the road to even put an RFP out to the private sector, if the government is seriously—and I underline the word "seriously"—considering maintaining this service? Why would you go down the road to invite proposals to privatize?

Mr Rusk: Let me try to frame it this way for you: the air ambulance program in its entirety, the aviation side, is run 100% by the private sector.

Ms Martel: We know that.

Mr Rusk: Seventy-five per cent or better provide the paramedical staff currently. We're only talking about 45 other positions out of about 220.

Ms Martel: Yes, so we're talking about the people who have the most advanced medical knowledge.

Mr Rusk: That's correct.

Ms Martel: The critical care people; they are the top of the line in terms of providing care.

Mr Rusk: That's correct. The private sector is operating it now. We haven't had any issues that have come up like what you're saying. We wouldn't send an aircraft out. We've got other alternatives; we have other aircraft.

Ms Martel: But you're going to let the private sector send an aircraft out. That's the point I'm trying to make.

Mr Rusk: I'm sorry?

Ms Martel: You're going to let the private sector send an aircraft out with people who are seriously ill. That's what this RFP says.

Mr Rusk: We had to have that in the contract to allow for that reality.

Ms Martel: Let me ask you this: if the government had maintained the service, would you allow it to happen? Would you allow an aircraft to take off right now without at least one critical care paramedic in the back?

Mr Rusk: Would we allow that?

Ms Martel: Yes.

Mr Rusk: No, we wouldn't, unless all the other aircraft were busy and all the paramedics were tied up. Then we would send an aircraft that was complete with a cabin medical attendant in the back for a pediatric team or a neonatal team.

Ms Martel: Can you tell the committee how many times that particular circumstance might arise?

Mr Rusk: What, neonatal transport teams? On a daily basis.

Ms Martel: No, when there's no advanced critical care paramedic on a flight.

Mr Rusk: Maybe two or three times a year, but not with a patient on board. Is that what you mean?

Ms Martel: Yes, with a patient on board.

Mr Rusk: OK. No, never.

Ms Martel: So you must be seeing what I'm trying to say here: right now, the government operates the service. I think it's an excellent service. I think these people deserve to remain public servants. But a political decision was clearly made to divest. You wouldn't be going down the road inviting RFPs if that wasn't the clear intent. As a result of going down that road and having this operated in the private sector, ie, those people being employed in the private sector, the government is now going to allow the possibility where a private sector employer does not have to have either one or two critical care paramedics in the back of that airplane. That's a pretty significant change from how the government operates the service now.

Mr Rusk: But it won't happen that way. The history of this is that it has never happened that way.

Ms Martel: Yes, but you're the ones operating the service now in terms of critical care paramedics.

Mr Rusk: We still dispatch the service and we're still managing the service. The reality is that if the operator for some reason started flying without paramedics in the back—it just wouldn't happen.

Ms Martel: Why? All they have to do is pay you a \$75 fee per hour to get rid of one and they pay you a \$150 fee per hour to get rid of two.

Mr Rusk: That would be the instant penalty, but they would be in default of the contract if they didn't provide what we were hiring them for.

Ms Martel: But wait a minute. How are they in default of the contract? The RFP clearly states that they have the opportunity to do that. All they have to do is pay you a fee. How are they going to be in default of the contract?

Mr Rusk: They wouldn't be able to meet the transport requirements of moving patients around this province if they constantly had no paramedics or only one paramedic in the back. The standard is two. We had to put the penalty in there in case there was a fault in the fact that they couldn't provide it. That's why we put it in there, to deal with the reality of it. The idea of the air ambulance program is to transport patients, not to not transport patients.

Ms Martel: I understand that. The problem I have is the contradiction between what would happen if these people remain public servants and what's going to happen as the service is privatized. You wouldn't let an aircraft in the air without making sure you had at least one critical care paramedic on board, right?

Mr Rusk: And don't forget we have—

Ms Martel: But you're going to let it happen because the private sector takes it over, and I assume the reason is that you're losing all of those 36 or 35 paramedics you have now and you won't be able to staff up the service. Isn't that the problem?

Mr Rusk: No, it's not. The paramedical staff are quite anxious to hear what the results of the contract are. These people will be hired. If the government decides to divest, these people who are already trained as critical care paramedics, because of their level of training, will be hired by the contractors who take it over.

Ms Martel: Can I ask how many have left the service at this point?

Mr Rusk: One person has left since the RFP and that person is working for us part-time. He has pursued a different career, but he remains working part-time for us—one person.

Ms Martel: What is the government's proposal that will be tabled with Management Board to maintain this service? Would it be at the same level of paramedics that you have now and the same rate of pay?

Mr Rusk: I can't tell you what the bids coming in are but what I can tell you is that it's the same number of paramedics with the same number of aircraft. In fact, we're increasing the number of staffed aircraft, so there will be a requirement for an increased number of paramedics. That's the idea of the critical care training program that's currently ongoing.

Ms Martel: Let me ask you this question: if you assume that the same number of paramedics who work with you now will transfer to the private sector, then why would you put in a clause that would allow the operator to operate at less? You don't do it now with that staff complement, right? You've just told this committee that you assume those people are all going to go work for the private operator. Why would you put in a clause to allow that to happen?

Mr Rusk: To allow for the reality of someone calling in sick, on the rarity that it happens. When we're down-staffed in the sense where we have a reduction in the number of paramedics we have—it's an ebb and a flow to the number of people that we have, because we constantly have to train to replace these people—it would be ludicrous for me, who is running the program, not to take into account the reality of somebody not coming to work one day. So we had to put it into the contract to ensure that there was a method that we weren't paying for something we weren't getting.

Ms Martel: Let me just back up. I want to be really clear. You've told this committee that at least one critical care paramedic has to be on these flights.

Mr Rusk: That's right.

Ms Martel: That's what you operate under right now.

Mr Rusk: That's right.

Ms Martel: Even when someone is sick, even when whatever else happens, you take it upon yourself to guarantee that that plane doesn't take off, doesn't get off the ground unless you have at least one critical care.

Mr Rusk: That's right.

Ms Martel: OK. That's the reality right now that you're telling the committee you experience, right? But your proposal allows the private sector to operate without two. I don't understand the difference in the—

Mr Rusk: Did you say "without"?

Ms Martel: Yes, zero flight paramedics, in which case they pay a \$150 fee. You just said to the committee the reality is that right now you ensure that at least one has to be on board. Why wouldn't you make that same provision even when this is turned over to the private sector if that's the reality?

Mr Rusk: I would ensure that only one would be on board if it was out on a flight, but if they couldn't provide two or one or none, the aircraft doesn't fly and I'm not paying for the paramedics, and that's why it's there.

Ms Martel: No, no, Mr Rusk, you're missing my point here. You've told the committee a couple of times that right now if you've got a critically ill patient in the back of an air ambulance, you would guarantee that there'd be at least one critical care paramedic on that flight. You would guarantee that right now?

Mr Rusk: That's absolutely right.

Ms Martel: Every day, every flight?

Mr Rusk: Every flight.

Ms Martel: No matter where.

Mr Rusk: Along with whatever—there's another thing that has to play into this, and that's the base hospital program.

Ms Martel: No, no.

Mr Rusk: I have to tell you this—

Ms Martel: Quickly.

Mr Rusk: —because the base hospital program is the medical control for the program. The physician in charge of that flight, of that patient, would not allow certain procedures to be done unless there were either two critical care paramedics or a critical care paramedic and a resident, an RT or another physician or a critical nurse on board. So the care for the patient would not be compromised, and that's paramount. The care is paramount.

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Ms Martel: I agree. So what I'm asking is, why is the government not prepared to apply the same standard that you operate under now for this very important service to the private sector? Why are you not prepared to apply the same standard? Because you are not. If you allow the private sector to pay a penalty and fly without two critical care paramedics on board, you're not applying the same standard as you operate under now. Correct?

Mr Rusk: Well, I don't get penalized if our medics don't show up.

Ms Martel: It's not the money that worries me. It's the live body in the back helping the person who is sick,

right? I don't care about the penalty so much as I want to make sure there is someone there who is supposed to be doing their job to help someone who is dying in the back.

Mr Rusk: The standards won't change. It's just the financial penalty we operate—

Ms Martel: Of course they do. The standards do. Right now, you will always have one critical care paramedic on board, right?

Ms Kardos Burton: There are certain—

Ms Martel: Always.

Ms Kardos Burton: Right now—

Ms Martel: Right?

The Chair: Let the witness answer, please. Go ahead.

Ms Kardos Burton: There are only certain circumstances where one paramedic is on board. We've talked about some of them, but I'll just repeat them.

The air-based hospital has deemed it medically appropriate to send one paramedic to provide for the patient. That's the point in terms of where the air-based hospital says that.

The second reason would be that the flight paramedic is accompanied by a neonatal transport team to care for the patient. If that was the case, that's a circumstance where you would allow for one.

The third is that the flight paramedic is accompanied by a medical team: a doctor, nurse or respiratory technologist to care for the patient.

Air ambulances are permitted to fly with no paramedics on board only for the emergency transport of blood or human organs and tissues.

Ms Martel: Stop right there. The only time you allow that plane to go is if there is not a person in back who is critically ill, right?

Mr Rusk: Correct.

Ms Martel: OK. I'm saying that this RFP allows you to operate without one or any critical care paramedic on board when there is a patient in the back, right?

Mr Rusk: No.

Ms Martel: Yes. You're darn right. Read the RFP. There is nothing in there that says they can only do that if they're transporting blood. Nowhere does it say that.

Mr Rusk: The standards—

The Chair: Let him answer and then we're on to the government side.

Mr Rusk: The standards of care are outside the RFP. There is no change in the standard of care. There is no change in that standard of care.

Ms Martel: Of course there is.

Mr Rusk: No, there isn't.

Ms Martel: Here's the section right here: 7.2, reduced flight paramedic staffing.

Mr Rusk: That's taken—the word is in the RFP; it's in the contract of the RFP. I'm sorry that I'm not answering your question the way you want me to answer it, but the fact of the matter is it was put in there for the reality of what I've mentioned before. The standards are the same. We will not—

Ms Martel: Mr Rusk, I go back to my original question.

The Chair: It's the last question.

Ms Martel: Can you guarantee to Mrs McLeod and me that under the section that I just quoted, which clearly says they can operate without any—and it doesn't make any reference to only carrying blood or tissue—that when this is privatized, we're not going to find ourselves in a situation where a critically ill patient is being transported somewhere in the north without either one or two critical care paramedics on that flight? Can you guarantee to us that that is not going to happen?

Mr Rusk: I can guarantee you that that will not happen.

The Chair: Thank you. Now to the government side.

Mr Sampson: Not to beat a dead horse, but on the theme of Ms Martel's questioning, what were you reading when you were reading the list of things that would cause you to dispatch a plane without two critical care paramedics? What were you reading from? Was it a standard of some sort?

Let me ask the question another way. Is there some sort of ministry standard or guideline or policy that says you don't let a plane go without the appropriate staff "unless these things happen," or maybe it's written some other way?

Mr Rusk: That's correct. That's the standard.

Mr Sampson: There is a standard written somewhere? You can actually get a piece of paper or a policy manual of some sort within the Ministry of Health that would establish this. Is that correct?

Mr Rusk: All I can tell you is this is the standard that we go by.

Mr Sampson: So there is some operating standard, whether it's encoded in the form of a document or standard practice that you've lived up to in the past and that you are currently using as a guideline that says yea or nay on the dispatch of a plane, because you are involved in dispatching of planes now. Is that correct?

Mr Rusk: That's correct. All I was going to tell you is that the standards of medical care for the patients are set by the physicians and the medical base hospital that controls the medical care of the patient.

Mr Sampson: Right. So somebody has set these standards and you are then dispatching, currently, based upon these standards.

Mr Rusk: Yes, that's correct.

Mr Sampson: If there is a new world and there is a private operator involved in the delivery of the service, are they rewriting these standards? Are they doing the dispatching?

Mr Rusk: No.

Mr Sampson: So tell me then, if you can—and as I understand the questioning from Ms Martel, she actually read from the RFP. I'd be interested to see the contract, because that would govern the true partnership relationship between the private operator and the government.

Ms Martel: I'd be interested in seeing the contract too.

Mr Rusk: There's a template.

Mr Sampson: So under that relationship, who is responsible for dispatching the plane, saying that this

plane, or whatever the aircraft is, can or cannot take off? Who is responsible for that?

Mr Rusk: The Ministry of Health.

Mr Sampson: And what guidelines will you use to determine whether that plane should take off or not? Are they any different from the ones you're using now?

Mr Rusk: No, they will not be.

Mr Sampson: Is there any reason to believe they would be any different from what you're using now?

Mr Rusk: Not to my knowledge, no.

Mr Sampson: Does the contract imply, say to the private operator, you've got to listen to the dispatcher, that you just can't dispatch a plane on your own?

Mr Rusk: Absolutely.

Mr Sampson: Is there anything to believe that what you're currently doing as it relates to dispatching an aircraft and the number and the type and the qualifications of the people on board would be any different in a world where it's a private operator provider or the world we have now?

Mr Rusk: No, there would be no difference.

Mr Sampson: I just want to go back to some numbers that were talked about before; we were talking about ambulance service providers. Pre-1995, I think you gave us some numbers as to how many were doing what. I can't remember what it was; I've got the numbers. Right now we have 25 private operators, 25 hospitals, 25 municipalities and seven volunteers, give or take a few.

Mr Bates: We have 22 private operators, 28 hospitals—

Mr Sampson: Twenty-eight hospitals?

Mr Bates: Yes. There are 25 municipalities, two boards and seven volunteer services.

Mr Sampson: I forgot the boards. How could I possibly forget the boards? In 1995, what was that breakdown? Were those the numbers—

Mr Bates: Yes, those were similar numbers to what I gave Mrs McLeod, something in the vicinity of 65 privates, 68 hospitals or thereabouts—

Mr Sampson: So in 1995 you had 65 private providers and now you have 22?

Mr Bates: Yes.

Mr Sampson: How many hospital providers did you have in 1995?

Mr Bates: Somewhere in the vicinity of 67 or 68.

Mr Sampson: And the municipalities were what?

Mr Bates: The municipalities were about 13 or 14.

Mr Sampson: And the volunteers and boards were about the same, were they?

Mr Bates: About the same, yes.

Mr Sampson: So there's actually been a decline in the number of private providers in ambulance services in this province since 1995.

Mr Bates: That is correct, yes.

Mr Sampson: A decline?

Mr Bates: A decline.

Mr Sampson: Not an increase; a decline.

Mr Bates: A decline.

Ms Martel: How many communities were amalgamated?

Mr Sampson: I'm just trying to establish the facts.

The contracts that are written with these private operators and municipal providers, in 1995—because there were private operators and municipal providers—were there service standards in Ontario, which I gather is measured by the amount of time it takes to get to a call?

Mr Bates: There were standards, yes, but now, as a result of a change in the act, quality assurance—as we mentioned last time, the act has been changed to more quality-based and there are many more standards that have been put into place.

Mr Sampson: Because those standards weren't terribly consistent across the province. I'm putting words in your mouth. Was that the case in 1995?

Mr Bates: No, they were consistent in 1995. They will be consistent as far as standards now, but there are more standards in place at this particular point in time.

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Mr Sampson: So this is somehow an attempt to improve the quality of service of ambulance services across the province?

Mr Bates: I believe that the quality of ambulance service with respect to standards—that's correct, the quality of ambulance service should be improved as a result of the increased number of standards and the monitoring by the ministry and the local input by the municipalities.

Mr Sampson: Is the land ambulance implementation steering committee going to be charged with some responsibility to review these standards and the ability of individual providers, whether they be private or public, to actually meet or exceed those standards? Who's going to be measuring success or failure in that area?

Mr Bates: The land ambulance implementation steering committee has a standards subcommittee. That standards subcommittee will be and has been reviewing standards for ambulance services across the province—these standards across the province, not individual standards for individual operators; they don't exist. It's a standard for ambulance services throughout the province. Any change that is anticipated with a municipality, or whatever group would like to see it occur, would go through that standards committee. But in order for a standard to be changed, it would require the approval of a standards committee of which the ministry is a part, and our municipal representatives as well.

Mr Sampson: Did I hear from some previous question that there were some providers who were actually interested in exceeding these standards?

Ms Kardos Burton: What you heard was that the municipal councils in some cases have chosen to pay for costs to move out toward the response time.

Mr Sampson: "We'd like to do better; we're prepared to pay." So some people are actually interested in exceeding those standards—municipal providers.

Ms Kardos Burton: It's municipal services, and they're interested in paying to move to get to a response

time faster. Increase their response times: that's what their goal is.

Mr Sampson: To your knowledge, has that happened in the past? Was anybody kind of interested in exceeding standards in the past, or is this somewhat of a new—

Mr Bates: It was a consistent approach in the past throughout the province. These standards were followed by everyone in the province in the past.

Mr John Hastings (Etobicoke North): I'd like to go back to the question of standards and the encouragement of the myth that I see so often in this public accounts committee that whenever any government, including this one, subscribes to changing the mode of delivery, somehow or other there is a greater susceptibility to an increase in putting people at risk, whether it be in this situation or when MTO changed its delivery services in northern Ontario for road maintenance year-round. We had statistics back then that clearly showed—but the myth persists. It doesn't matter what the facts are, what your measurement or performance standards are, you still end up that there's only one way to deliver a service in health care or anything else, and that's the public sector; there's no other way.

So, Mr Bates, what I would like to ask you is, when there were a few private providers of ambulance care, how were they treated in terms of performance standards? Was it more linked to the compliance with rules that we had back six, eight, 10 years ago? Would you describe the delivery of land-based ambulance as more a performance culture or a rules-obsessed culture in the past?

Mr Bates: It's very difficult to answer that question, but I can tell you that in the past, depending upon how long you wish to go back—

Mr Hastings: Let's use 10 years ago. You were around then, were you not?

Mr Bates: Yes. I think you and I established that the last time. Ten years ago, there was a consistent approach throughout the province. Whether it was private, whether it was hospital-based ambulance service, they were all licensed, OK? That's step number one: in order to operate an ambulance service in the province of Ontario you had to be a licensed operator. You had to apply for a licence, secure a licence and prove that it was necessary through the Ministry of Health. Once you were licensed and operating in Ontario, you had a standard ambulance, you had standard equipment and you were funded by the province for the management and care of that particular ambulance service.

At the same time, standards were in place, as they are now, with respect to the ambulance attendants, the paramedics themselves. The central ambulance communications centres provided the dispatch of ambulances, as they do now. The private operators, and any other operator, provided the staffing for those ambulances, made sure those ambulances were properly staffed, made sure the ambulances were properly cleaned and that they were dispatched appropriately. They were funded for that particular approach in the past.

Mr Hastings: Let me ask you this question, then: with the emphasis more on a performance-standards culture and on enhancing the professionalism of the paramedics, how far along is the ministry in terms of trying to get paramedics under the Regulated Health Professions Act? Is it part of the overall plan as well to create better quality assurance and more effective standards in terms of performance?

Mr Bates: With respect to the Regulated Health Professions Act, I believe that was an initiative on the part of the Ontario Paramedic Association in the past. It was reviewed by the group within the ministry that reviews it. At this point in time, we are not looking at that aspect, because we feel the standards that are in place through the community colleges, through the training that's provided, through the base hospital monitoring of every paramedic out there and the certification by the base hospital physician, through the inspections we carry out and through the certification of ambulance services—I think you're aware that the fact of the matter is that paramedics generally are well qualified for the job they perform.

Mr Hastings: Again related to operational standards, is Ontario still the only province that has a specifically designed type of ambulance vehicle in terms of its platform, the physical design of the vehicle, different from the rest of North America? I was trying to think this morning of the design and the specific criteria as to the type of vehicle. Away back, the private ambulance operators told me that Ontario had this peculiar design standard, the physical type, that was not the same as other provinces or jurisdictions in North America even though we have four seasons etc. Am I incorrect in that general description?

Mr Bates: You're not incorrect. Let me explain to you how ambulances are constructed and designed. There are a number of ambulance suppliers in Canada. We deal with two, and I think there's an additional one in the Maritime provinces. Those suppliers also supply every other ambulance provider, every other province in this country. The standards for those vehicles when they're constructed—they are designed by the regulatory authority, and that's the Ministry of Health. It's the ministries of health in other provinces as well. They decide what the standard will be. You're right that there's a difference.

Mr Hastings: Why?

Mr Bates: The difference is based, number one, on occupational health and safety. We spent a lot of time designing the ambulances, and they're looked upon as a model for North America—again you're right—because occupational health and safety-wise they are considered the best. Suppliers of ambulances come to look at our designs, other operators look at our designs, other provinces have asked for our specifications.

Another difference is that they're subjected to crash tests. We have done this. No other province or municipality or jurisdiction that I'm aware of in North America has looked at the ambulance to make sure that if there is a rollover or any type of accident such as that, the

patient and crew are protected to the best of our ability and to the best of the manufacturer's ability. So you're right: there is a difference between the type of vehicle we provide and the type of vehicle we determine is required with respect to standards versus some other jurisdictions. But those other jurisdictions are looking at what we're doing. In fact, even the people from Washington, DC, are looking at that.

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Mr Hastings: They are?

Mr Bates: Yes.

Mr Hastings: My final question would relate to the persistent questioning by Ms Martel about the penalty provisions in the RFP for changing the delivery mode. Those penalty provisions, the \$150 or the \$75, depending upon what type of health care or paramedic expertise capacity isn't available—is that a penalty and not a reduction in standards? The thesis I seem to be getting, listening to her questioning, is that the penalty provisions are a door opener for a reduction in the standard of care of the patient from point A to the hospital base rather than a protection of the standards we've set in the RFP. Is there a taking out of context, then, without ascribing motives here? I probably am. Is there a different context, then, when you look at those sections in the RFP from what you intend to carry out in terms of the protection of patients when they're either air or land based?

Mr Bates: I'm not sure anything is taken out of context; I can't speak to that aspect of it. But I can tell you that with respect to standards, the standards are there. The standards are maintained in a number of different ways. Whether it be land or air, it really doesn't matter. The base hospital, number one, is going to make sure every paramedic, whether that be air or land, has the qualifications. When it comes to air, they don't get dispatched unless quality care will be there. There's no question about it. Every carrier who signs on has to tell us who he has available with respect to the person in the back of the aircraft. That's our people as well as any other provider in the province. So we know before they leave the airport, before they leave the hospital, who is going to be providing care. They will not be providing care unless the standard is there. The quality must be there. There are a number of standards, as I say and as Mr Rusk said previously, to protect everybody—the patients, the province and everybody else.

You're right, that's a penalty that was instituted there. It's a formality with respect to that needing to be put into each one of these RFPs. The contract is the key thing they're after. Once a contract is signed, it will be clear that they must have paramedics of proper quality and sufficient number to provide the type of care that's necessary. There's no way that the Ministry of Health would allow the quality of care for anybody in any part of the province to be compromised. You're right, that's part of the standards.

Mr Hastings: Do you have adequate staff, when this delivery change is made in the next year, to supervise that the specs in the contract, depending upon who the

other carriers may become for land-air, are carried out? One of the contentions usually made by the critics is that we do not have, whatever the service you're delivering, sufficient supervisory or monitoring provisions of that given contract and the conditions and terms set in it.

Mr Bates: Let me give you a description of what we actually have. We have, as we indicated before, 22 base hospitals across the province, including a principal base hospital for air ambulance, which is Sunnybrook base hospital. They have medical staff there and other staff who monitor what's taking place. We have one central air ambulance dispatch centre, fully staffed at all times, around the clock, 365 days a year, 24 hours a day, monitoring and dispatching air ambulances. There's no question about it, there are people there who know what they're doing. They're paramedics, they're medically based people, so we have both medical control and operational control.

On top of that, we have people who are of course looking at the invoices that come in, the financial aspects of it, to monitor that part of it as well. We have a manager of air ambulance who will be constantly monitoring what's taking place, who's a pilot and will be a pilot with respect to that. We have inspections, and I think at the last session we spoke about inspections and certification. The thing that must be remembered is that all air ambulance services, as well as land, must be certified before they can actually fly or become operators of air ambulance. They must be certified, and they will be inspected from time to time. As far as I can determine, we have sufficient staffing at this particular point in time to ensure that, as you say, Mr Hastings, the quality of care will be maintained.

The Chair: One more question, the final question.

Mr Hastings: Could you send to this committee, from 1990 onwards up till now, any incidents of air ambulance crashes, fatalities—land-based as well—for both the private and the public sector?

Mr Bates: Absolutely.

Mr Hastings: However you categorize your incidents. You know, some might come out of an inquest.

Mr Bates: Can we clarify that? The number of crashes, the number of—

Mr Hastings: Crashes or the disappearance or the lowering of standards of critical care for patients in land-based and air-based operations for the last 10 years. You won't have sufficient comparators because all air-based was public sector, right? You won't have any private carriers.

Mr Bates: No, the private sector, if you're talking about air—and land—have been part of the system for many, many years; in fact, since I have been in the system, since you and I have been talking about—

Mr Hastings: Both air- and land-based, any types of incidents in both the public and private sectors where this committee could make intelligent comparisons as to whether patients are put at risk or have been in past history, through the last decade.

Mr Bates: Sure.

Mr Hastings: I want to get a firm base, because the mythology around here that's continually perpetrated is that there has seldom been an incident of any kind when the provider is the public sector. Let's get the stats and see what they really show for both the private and the public, in both types of operations. I'd appreciate that.

The Chair: I've had a request from the researcher as well. Could you provide us with a copy, with the other material, of the RFP itself? Any problem with that? Some of the committee members have it, but the researcher doesn't have it.

Ms Kardos-Burton: Yes.

The Chair: Just one question. When you talk about standards, do you include response time in standards as well?

Mr Bates: The response time standard is something that's being developed, as Mary indicated, by the standards committee at this particular point in time.

The Chair: So right now response time is not part of the standards.

Mr Bates: It is a standard. The 1996 response time standard is a standard per operator, all right? The committee is moving toward, as we mentioned last time, a full review of what they believe the standard for land ambulance response should be, so we're basically in an interim period at this point in time.

The Chair: Thank you.

Ms McLeod, I suggest 15 minutes for each caucus.

Mrs McLeod: At the risk of being accused of perpetuating the mythology, I would like to return to the auditor's report. I don't have any question about the intent and the concern of the Ministry of Health. Let me make that clear. What I have a real concern about is track record in terms of being able to meet the standards that are supposedly in place, even though those standards have been seen, by at least one inquest report, to be inadequate standards. That's true for land ambulance; it is also true for air ambulance. The auditor very clearly expressed a concern. I am going to return for a few moments to air ambulance; I will come back to land ambulance, if you want to switch off and play some musical chairs here.

I think it was Mr Sampson who suggested we should take some comfort that the standards currently maintained by the ministry would still be maintained even though there is provision in the RFP to have a different kind of standard operative. There are no limitations on what's in the RFP. The limitation that is currently a guideline for the ministry is no longer a limitation. Mr Sampson suggested we should take some comfort from the fact that the ministry is still going to maintain its consent process and the dispatch process. The problem is that the ministry's ability to handle the dispatch service is one of the most glaring errors or inadequacies that was identified by the auditor when it comes to the dedicated air ambulance service, the one which deals with the most critically ill patients, the one where the ministry is currently employing the paramedics, was only en route within 10 minutes of accepting the flight, which is the

standard that was in place, 44% of the time. Only 44% of the time was the dedicated air ambulance service actually in compliance.

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The auditor expressed a concern about the fact that there were no standards for the dispatch, let alone standards that were being met, and asked that the ministry develop dispatch standards for air ambulance.

I have to tell you, in the context of that track record, we have concerns about the proposed changes in the RFP. I suppose Mr Sampson would say, "If the ministry's doing such a bad job of it, turn it over to the private sector. They're going to do a better job." I don't accept that, if that's the reasoning that's being offered.

I want to come back specifically to air ambulance and to some of the answers that were given to Ms Martel a little bit earlier. Again, I would like to take some encouragement from the guarantee you offered in your last comments in response to Ms Martel that there would never be a time at which there was an ill patient who was being transported by air ambulance without appropriate paramedic care. My concern is that, as reassuring as those words may be, the rest of the testimony you provided as to why you've provided for a financial penalty, why you had to have a financial penalty in the RFP in the event that it simply wasn't possible to provide the paramedic care, leads me to believe that you think there will be situations in which there may not be a paramedic available. You said, "We have to have that provision in there so that we're not paying for paramedic service if the paramedic isn't available or doesn't show up for work."

Those are statements; I'm not asking you to repeat that. You said that a \$150 penalty which would allow an operator to fly an airplane without a paramedic present had to be in place to deal with the reality that there may be some situations in which a paramedic wasn't available. We can go back to Hansard and check the testimony on that. And there is no limitation on that in terms of, "You may not fly that airplane without a paramedic unless you are only transporting organs or tissue."

My further concern is that we know you have to give severance, that all of the critical care paramedics have signed forms saying they will take their severance pay. You have no guarantee that any of those critical care paramedics are in fact going to be employed by a new provider. The very process of going through this request for proposal, the very process of divesting—and surely to goodness nobody would have gone through this process, as Ms Martel has said, unless you were going to divest the service. You wouldn't have gone through the anguish for your own employees if the government wasn't planning to divest this service. So I assume you're planning to divest. You know these employees have already signed their severance forms. You know you have no guarantee of them being rehired by whoever is the successful bidder.

I suggest that you are on the verge of creating a crisis, a crisis of shortage of critical care paramedics, who are

already in scarce supply. These critical care paramedics can go anywhere they want and get jobs tomorrow. If by the very process of divesting this service you have created a critical shortage of flight paramedics, then you may well be having to invoke this penalty clause because you can't get paramedics to staff the flights, whether it's your intent to or not.

Two questions. One is, how can you guarantee that the new provider of the service will have enough critical care paramedics to ensure that those flights are properly staffed with paramedics? My second question is, why are you going through this tortuous, anguished, risky process? Surely it isn't because the Ministry of Health can't deliver the service and is only in compliance 44% of the time. Why? What possible gain to patients is there in going through this divestment process, with all of the potential risks that are in place? And you can't give us a guarantee that the risks aren't there, no matter how much you want to.

Mr Bates: I think you mentioned that there might be a possibility of an aircraft flying without paramedics. We can assure you that will not happen except in the instance—

Mrs McLeod: So the alternative is not to fly them. How can you guarantee the paramedics will be there?

Mr Bates: We do not fly air ambulances without sufficient qualified staff in the back.

Mrs McLeod: I'm hearing the words, but you've got a penalty clause in an RFP without limitation that says you can indeed fly an aircraft without a paramedic for a \$150 deduction. You have indicated today that you had to have that provision in an RFP because there is a reality that the paramedics might not be available—you suggested because they might not show up for work; I'm suggesting it's because there may not be enough paramedics available to supply the system. You've not limited the RFP by saying the airplanes cannot fly if they've got a patient on board. You can tell me that your intent, your standard, your guideline is not to fly them, but the only alternative you may have is not to fly the plane at all, and then what do you do with a critically ill patient in a northern Ontario community? You don't have any alternatives.

Mr Bates: There are alternatives with respect to what happens. Number one, as Mr Rusk said before, you can utilize the local physician, the nurses. We can utilize other providers of aircraft. There are times at which—

Mrs McLeod: Not with paramedics. I'm sorry. You've got a newborn baby, intensive care, who cannot be cared for in my home community of Thunder Bay and has to be airlifted within a matter of minutes.

Mr Bates: In that particular case, the base hospital would ensure there's adequate staff on, and our dispatch would. That could comprise, as we said before, doctors, nurses, respiratory technicians, whatever's required for the care of the patient. We work as a system, all right? You can't look upon it as an isolated segment—

Mrs McLeod: Why does your request for proposal allow a penalty clause to fly without paramedics? If you

have clearly stated there will be no flight that goes and that the ministry will pay the cost of having alternate medical staff on board in the event that there isn't a paramedic, why do you need this provision that if the paramedics aren't there, you're going to fly for \$150 less without them?

Mr Bates: I'm sorry. Can you repeat the question?

Mrs McLeod: You have a provision in your request for proposal that says you can fly without paramedics for \$150 less. You've taken dispatch response times out of the Ambulance Act for both land and air ambulance. The ministry is not bound by anything except good intent at this point. You're not telling the private providers they can't fly without a paramedic. You're telling them they can fly without a paramedic and you just have to pay \$150 less. Where does it say in anything that is binding that no aircraft with an ill patient leaves the ground without appropriate medical staff? Tell me where it says that.

Mr Bates: First of all, the provider, as you call it, won't fly unless we dispatch them. That's number one.

Mr Sampson: Hello?

Mr Bates: They cannot leave the ground unless they're dispatched.

Mrs McLeod: "Hello?" Excuse me, Mr Sampson. Hello, as you interject. The auditor has said the problem is the ministry hasn't got an air ambulance dispatch response time standard. They don't track the data. They're in compliance only 44% with their own response time. Tell me how the ministry is going to decide in time to transport that newborn child who has to be transported out of Thunder Bay, to live, within less than an hour—

Mr Sampson: So your position—

Mrs McLeod: How are you going to decide, how is your central dispatch system, which isn't under the act—

Mr Sampson: I just want to get on the record her position is that that person should be sitting there on the tarmac. Mrs McLeod's got this—

Mrs McLeod: I'm sorry. I want to know how the Ministry of Health can guarantee that that airplane—first of all, that you know they don't have a paramedic and, secondly, that you can make sure they're going to be staffed with appropriate medical staff and give the authorization for that, as well as telling the private sector they can't fly. I mean, you've told them here they can fly. That's the problem. You've told them they can fly. How are you going to make those decisions to say, "No, I'm sorry. In these circumstances, forget the \$150"—you charge \$150, but not only that, "You can't take your plane off the ground, thank you very much." That's more than a \$150 cost, by the way.

Mr Bates: Experience and our operational control—there are 17,000 patients flown every year in Ontario. They all have paramedics with them when they are flown.

Mrs McLeod: My second question is, why divest this system? Why run the risk of having all of your critical care paramedics leave your service, with no guarantee they're going to be picked up by a new service? I think

there are some problems, that there's a need for a dispatch. You said to the auditor that there are those problems, so why divest the service?
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Mr Bates: First of all, there has been a divestment of the service. That's number one.

Mrs McLeod: Why would it even be a divestment? What possible gain the ministry sees in this service.

Mr Bates: I can tell you, by experience, that there are now private operators providing medical staff across the province—

Mrs McLeod: Not critical care paramedics?

Mr Bates: They are providing excellent service at a point in time. There is nothing to suggest that they provide every bit as good service as the public care or advanced care or whatever care was provided.

Mrs McLeod: But that's not my question. My question is, what is there to gain? I would like to know the question about the land ambulance.

Let my question about air ambulance be answered. Ms Martel will pick it up. I don't see any financial gain, financial or otherwise, to the ministry from the divestment. I see significant risk to the ministry.

On land ambulance, let me put the question to you. You have a record of not meeting the standards. You have a record—and a record of not running the service—of not having the money to meet the 1996 response standards. You have inequities from area to area—and this is the auditor's report. You have a record of this at this point you have refused to put in place a single standard for response times across the province. You are negotiating them with the municipalities. You are negotiating performance contracts with each of the municipalities. You are negotiating the ambulance service under this divestment. You are guaranteeing that we're going to have a performance contract to the other municipalities when they are finished. So you're not yet meeting the standards. At the same time, the money is not there yet to meet the 1996 response times, you're not going to meet the standards because you're dealing with the municipalities on an individual basis in terms of negotiating the contracts. You have already encountered close to \$100 million in one-time costs for the divestment and the negotiation. My question is, what gains do you see in the land ambulance service from the divestment to the municipalities?

I would have to agree with some of the municipalities that was starting to suggest, which is, that the municipalities seem to be saying, "The standards are not high enough, and even if we have to pay for it, we're going to meet a better standard." The auditor says to me—and the ministry is not acknowledging anything other than that the ministry, with all its inequities and all its problems, that's all the ministry is talking about, is that any gain it's because the municipalities are on their own, to put money into

standard of ambulance care than the government was ever prepared to provide. If that's not the answer, tell me why there is any benefit to the divestment of the land ambulance service to the municipalities.

Ms Kardos Burton: There's one other benefit I would like to speak about, and that is the service in terms of the local community and the commitment to the community. Talking to the municipalities, first of all, they are now enthusiastic about providing the service. There is better public education, because that can be done locally. They are communicating within their communities in terms of expectations to the citizens of the community. So in terms of closeness, I think locally is an advantage.

Mrs McLeod: That's exactly my point: the benefit to the patients is that the municipalities, because they are seeing what's happening, are prepared to meet a standard the government has not been prepared to meet.

I urge this government, on record, to at least be prepared to meet the municipalities halfway and to put in place 50% cost-sharing of the higher standard the municipalities are looking for and then take that higher standard and make sure it is equitably applied across Ontario. I really believe that is the only way we are going to see some benefits to patients for this entire divestment process, with all the costs that have already been involved in that.

Mr Chairman, I suspect you're going to tell me my time is up.

The Chair: Yes, Mrs McLeod, for now.

Ms Martel: I'm going to return to the air ambulance situation, because in our part of the world this does mean the difference between life and death for many people. So it is important, and I'm sure you appreciate that.

Maybe you can give me an assurance, which I haven't heard so far, if I approach it in this way. Ms Burton was good enough to set out the standard that says that right now the only time an air ambulance would fly without a paramedic is in the instance when tissue or organs are being transferred—correct?—and that in every other instance, if there is a patient on board there is at least one critical care paramedic.

Mr Rusk: Correct.

Ms Martel: That's what we're operating with right now. We know the RFP doesn't make reference to that standard. You made reference to a contract. My question would be, can you tell the committee that the contract that would be signed with an operator would guarantee that if there is a patient on board, there will be at least one critical care paramedic on board?

Mr Rusk: Yes, because in the contract it says they must abide by all legislative—and standards for the program.

Ms Martel: OK, and those were the standards Ms Burton referred to earlier?

Mr Rusk: The standards Ms Burton referred to are the standards that are set for transporting patients, and what she read was correct. That's set by the medical folks at the base hospital.

Ms Martel: So on every flight where there is a patient, there will be at least one critical care paramedic on board?

Mr Rusk: Yes. Unless—

Ms Martel: Unless?

Mr Rusk: Yes. I was just going to go to the blood thing, but—sorry.

Ms Martel: I want to be clear that it's when there is a patient on board. We understand what happens when there's not.

Let me ask you, why does the RFP talk about permitting an air ambulance to be flown without a critical care paramedic? If that's what the contract says, and we go by that because we haven't seen the contract—I don't know if you're in a position to table that with us. If you could, that would be helpful.

Mr Rusk: There's a template in the RFP.

Ms Martel: Does the template indicate that at all times when there's a critically injured person on board there will be a critical care paramedic on board?

Mr Rusk: I'm sorry, I can't answer that without—

Ms Martel: Could you get back to us on that?

Mr Rusk: Certainly.

Ms Martel: If that is in the template, could you table that with the committee?

Mr Rusk: Certainly.

Ms Martel: All right. If that's the case, then we'll take your word for it that that is the ministry's intention. Why then does the RFP that went out to private operators, which they are to bid on, clearly allow for a circumstance when there wouldn't be a critical care paramedic on board, and there is no mention of, "only in the instance where we're transporting tissue or organs"?

Mr Bates: You need to have something like that so they know that if indeed we ask them to fly tissues or whatever, this is what they are going to be remunerated for. You have to have something in the RFP indicating these types of things.

Ms Martel: I would work the other way, Mr Bates. If the ministry's intention is not to dispatch that flight off the ground without a critical care paramedic when there's a patient on board, shouldn't the RFP say that? Because the RFP allows for an alternate possibility, which is flying without anyone.

Mr Bates: It's not going to happen that way. That's all we can say to you. The operators are well aware of that too.

Ms Martel: So why would you have an RFP that allows for that?

Mr Bates: For financial purposes. You have to have in these documents reference to those types of things where it might happen, in the sense that if they fly tissues for us, then they have to know what the penalty might be.

Ms Martel: If I might, Mr Bates, there's no reference to tissues. The RFP doesn't make any reference at all with respect to tissues or organs.

Mr Rusk: But they will fly when they're dispatched by our medical air transport centre. The only thing they get to decide is whether or not they can fly.

Ms Martel: I understand that. I am saying the section that talks about flight paramedic staffing and the ability to fly without critical care paramedics makes no reference at all to only those situations where what is being transported is blood or tissue—none.

Mr Bates: They are not going to be dispatched, as I said before, if they don't have the proper staff.

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Mr Rusk: It allows us also to use the backup aircraft that we can use as we require. If we needed it to transport an organ or a tissue and we needed to send the backup aircraft because the first aircraft was busy on another call, we could dispatch them and it would be allowed without a paramedic in the back, as well.

Ms Martel: Just so the committee is clear, what you're telling us today is, under no circumstance will one of these operators be allowed to take off with a patient in the back without at least one critical care paramedic. We should leave this room with that clear understanding?

Mr Rusk: Yes.

Ms Martel: It would be really helpful, if the template has that, if you could provide that to the committee.

Mr Rusk: Yes.

Ms Martel: OK. I would like to move on to land ambulances and to the downloading costs for municipalities with respect to land ambulances. The auditor made a point in his audit of saying that, as of early January 1999, there were about 60% of all operators who were not meeting the 1996 response time standards. The ministry entered into some negotiations with municipalities through the committee and came to some agreements in AMO about establishing what are approved costs. What I would like to know is, what was the position of the municipalities during those negotiations? What specific requests did they make of the ministry with respect to being a download of service that was not up to standard during the October negotiations? I understand what was arrived at; I want to know what was on the table.

Ms Kardos Burton: I think for the items in terms of the template that are agreed to, all of the items were agreed-to items. There were two items, if I can—if you just give me a minute—OK, go ahead.

Mr Bates: Yes, there were two items that were not agreed to. One was with respect to wages, where the government was clear that the wages that could be allowed with respect to funding were at the 2% level, and the other, I think, was with respect to the interest on the completion of buildings.

Ms Martel: Would it be fair to say that another thing that was on the table was that AMO was pushing to have the province pay for 100% of the capital costs for upgrading to 1996 standards?

Ms Kardos Burton: Yes, that's fair. I thought you were talking about the template and the two items, but in terms of the response time, what AMO was asking for were the capital costs at 100% and then, ongoing from that, 50% of the operational costs.

Ms Martel: So they wanted 100% would take to get up to the 1996 standards, being downloaded.

Ms Kardos Burton: The capital costs

Ms Martel: And the ministry ended up correct?

Ms Kardos Burton: Because the response time is the approach that we're using is not totally in terms of the cost, there's nothing—I mean, proposing was 50%, but there is nothing that was agreed to. The response time is separate template negotiations.

Ms Martel: Except they're interconnecting through the template, what you funded was in place at the time.

Ms Kardos Burton: That's right.

Ms Martel: For example, the savings on the vehicles in the fleet at the time of the assessment of the operations were not up to 1996 standards, say even 30%—that meant many of those vehicles are stuck in a situation where, as the ambulances, they are paying 100% of the costs.

Ms Kardos Burton: Right, so that would be

Ms Martel: The parliamentary assistant here at the last meeting, suggested it was a problem because those ambulances would not be available anyway. They had not been able to purchase them. Would they have been able to purchase them if the municipalities ask you to grandfather the existing vehicles, so as they came on-stream to bring their service to bring them up to 1996 standards, the ministry would still pick up 100% of the costs? Is that a request that the process unfolded? Is that a request that the ministry would still pick up 100% of the costs?

Mr Bates: Yes, they asked for 100% of the costs. That's true.

Ms Martel: Of whatever period over time, take to get those vehicles on stream, for example, they had to order them and it was going to take months to get them?

Mr Bates: Yes. It's understood it's a long time frame, as you indicated before Mr C.

Ms Martel: So in fact they made a request that was turned down. They made a request for 100% and it was turned down and ended up with 50%.

Mr Bates: It hasn't been turned down yet.

Ms Kardos Burton: I think the underfunding of the municipalities' part is that we'll work on the process in terms of the plans to meet the standards, then the plans would go to AMO and to the municipalities respectively.

Ms Martel: In that respect, then, you're asking the municipalities to get them up to 1996 standards. Has any commitment been made that the province would pick up 100% of those costs, since they were covered before the download of costs?

Ms Kardos Burton: There has been no commitment made on anything related to the response time.

Ms Martel: So in fact a number of municipalities could well be incurring increased costs.

them up to a standard that should have been in place when the ministry was funding this service, correct?

Ms Kardos Burton: Yes. They'll be paying costs, yes.

Mr Bates: Well, they will be incurring, if they wish, increased costs. That's correct.

Ms Martel: It's not even a question of "if they wish." I mean, they do have to at least meet 1996 standards. I'm not even talking about the group that goes beyond. They will have to meet 1996 standards. That's the purpose of the exercise.

Mr Bates: Right.

Ms Martel: My concern is that a number of municipalities may well be out money because the government is not paying 100% of those costs to get them to 1996 standards. Am I correct?

Mr Bates: No, the government, as Mary said, has not made a decision as yet.

Ms Martel: But the government has a template that didn't cover those costs so far.

Ms Kardos Burton: Right, and that's partially because—and you're quite right that they are related, but we were doing this exercise in terms of looking at the standard and coming up with what in fact the cost would be in terms of meeting the standard.

Ms Martel: Let me ask this: is it likely that the ministry, as it goes through its review municipality by municipality, is actually going to fund 100% of these costs, when you didn't already with the first round of negotiations in October?

Ms Kardos Burton: I'm very reluctant to speculate.

Ms Martel: I bet you are. That's a question for the ministry, you're right. That was unfair to direct to the bureaucracy.

Let me ask, do you have any idea what those costs are to bring municipalities up to 1996 standards, capital and operating?

Ms Kardos Burton: The figure that we've talked about in the past was around \$50 million—and again, these are just estimates because we do need the plans. The capital was approximately \$12 million and the remainder was the operating.

Ms Martel: Sorry, capital was \$12 million, and the \$50 million was a reference to?

Ms Kardos Burton: The total cost. We had done an estimate of what it would cost to bring municipalities up to response time. It was in the \$50-million area, and that's been communicated publicly with municipalities. But again, I stress it's an estimate. We'll have a better sense once the plans are done.

Ms Martel: Then the \$40 million operating is a completely separate item as well. The \$50 million refers to maybe severance, increased administration costs, etc?

Ms Kardos Burton: No.

Ms Martel: Do you want to tell me the difference between the \$50 million total cost that's the public figure and your \$40 million estimate that was referenced in the auditor's account?

Ms Kardos Burton: Timing, I think. At one time, we may have estimated \$40 million. In terms of the estimate, it's \$50 million, but it would be no different. The difference would be the timing. It would be the same thing in terms of the operating costs.

Ms Martel: So we're up about \$10 million. Do you have any idea when you'll get an actual cost of what the difference would be between what has been funded so far—which we hope will be more—and what the municipalities are actually out?

Ms Kardos Burton: We're targeting for completion in late spring or early summer, so when our standards exercise is completed with the municipalities. They're all to do plans in terms of—we're talking about what the response times are—what it would take to get there, what a municipality would do in terms of getting there, how many cars it would need, etc and what are the mechanisms. Once that's completed, we'll have a better sense of what it takes.

Ms Martel: Can I ask, what is the nature of the commitment that has been made to them through this current process? You haven't shut the door on 100%, but what are they thinking they're doing this for? In anticipation of receiving what?

Ms Kardos Burton: They've been very clear about requesting the capital costs at 100% and 50% ongoing. What they have also said, which is true, is that the response times have not been met currently. I think what they're doing this for is certainly working with us in terms of seeing how Ontario can meet its response times. 1150

Ms Martel: This may be an unfair question to ask you, but wouldn't it have made more sense if we had at least brought everyone up to that standard and paid for it before we downloaded those costs on to the municipalities?

Ms Kardos Burton: There was a desire to look at having the municipalities have a part in terms of how they meet the plans. The government could have made some decisions on its own, but the desire was to have the municipalities involved and ask them to participate in those plans. It could be a straight mathematical conclusion in terms of our estimate of \$50 million, but I think there's also a hope that the municipalities would be coming up with efficiencies and different methods of operating and innovations in terms of meeting those response time standards as well.

Ms Martel: I appreciate—

The Chair: That's 15 minutes. Mr Gilchrist.

Mr Steve Gilchrist (Scarborough East): My first question is to Mr Peters. I've looked through 3.09, which is supposed to be the subject of what we're talking about here today, and I must admit I can't find a reference—perhaps you can direct me—to where you dealt with the issue of standards for base hospitals for the deployment of critical care paramedics. Am I missing something here?

Mr Erik Peters: No, we did not deal with that standard.

Mr Gilchrist: Then I guess the record is wrong. Ms McLeod categorically stated you did that and had passed judgment on the standards, which seemed to be at the root of the questioning from both the Liberals and the NDP, and how the existing standards relate to a penalty clause in an RFP. There are in fact two RFPs, am I correct? One for fixed-wing and one for—OK. So we've got to use the plural.

Interjection.

Mr Gilchrist: It is a 200-page document, and perhaps Ms Martel's researchers only gleaned certain clauses that were salacious or what they considered would be salacious. But I'm looking at schedule A, part I, "Mandatory requirements for the transfer and non-transfer scenarios." It talks about all sorts of different standards that are put in there—

The Chair: Just for the record, Mr Gilchrist, what are you looking at?

Mr Gilchrist: I'm looking at the RFP.

The Chair: I see. OK.

Mr Gilchrist: Forgive me, Chair. It's page 54. The document reference number at the top of the page is 61-246. I see a very detailed listing of standards. I think we need to have it put expressly on the record again: are there existing standards for the dispatch of aircraft in terms of the involvement of critical care paramedics?

Mr Bates: Yes.

Mr Gilchrist: Will those standards change?

Mr Bates: No.

Mr Gilchrist: Are the planes currently operated by private operators?

Mr Bates: Yes.

Mr Gilchrist: Will that be the same format in the future?

Mr Bates: Yes.

Mr Gilchrist: Is the only difference the fact that 36 people who are on the payroll of the Ontario government will no longer be on the payroll of the Ontario government?

Mr Bates: I would say "may."

Mr Gilchrist: Sorry. Following the assumption Ms Martel has made—I want to be very clear myself—the only privatization that is being considered is the employment of those 36 people.

Mr Bates: That's correct.

Mr Gilchrist: Thank you.

Ms Kardos Burton: Plus three administrative staff.

Mr Gilchrist: Plus three administrative staff. Thank you for clarifying that. In no other way are we changing the standards by which the air ambulance service is operated, and in no other way is patient care being altered.

Mr Bates: That's right.

Mr Gilchrist: Thank you. I think the histrionics we are hearing from the other side would certainly have left people, either watching or listening in this room today, with a very different impression.

A comment was just made about uploading—the typical hand grenade thrown in. Correct me if I'm wrong,

but Toronto historically was never paid by the province for its ambulance service. Is that correct?

Mr Bates: Not quite. A grant was provided for Toronto over the years, 50% of approved costs.

Mr Gilchrist: Did that equal their actual costs?

Mr Bates: In fact they did spend more money in terms of percentages, and we provided the 50%. They made decisions on additional service, if you will, additional vehicles; you've noticed on the road the buses they utilize.

Mr Gilchrist: Yes.

Mr Bates: Those are an example of something they provided in addition.

Mr Gilchrist: OK. So nothing—no, let me not presume to know your answer. Is it fair to use the word "uploading" or "downloading" in Ontario's largest city, or what words would you use that best reflect the new true relationship in terms of provincial funding for ambulance service?

Mr Bates: It's basically a continuation of the method that happened in the past.

Mr Gilchrist: Certainly in our largest city, anyone who suggests there has been a downloading of costs would be misleading people. Would that be correct?

Mr Bates: Substantially correct.

Mr Gilchrist: The other issue I want to raise: I asked the question as well about the clause Ms Martel keeps referring to, and I had—perhaps an expanded answer would be the best way to describe it, from what I've heard here this morning, that if a particular base were incapable of dispatching a plane or helicopter with the required paramedics on board, a plane would be dispatched from another base, but the original operator would be dinged with a penalty reflective of that amount. So if Nipigon couldn't dispatch a plane, Thunder Bay might. If, through no fault of the operator, the only available paramedics were caught in a snowstorm or called in sick or were injured on the job, another plane would be dispatched, correct?

Mr Bates: That's correct.

Mr Gilchrist: And the original operator would face a penalty for his or her failure to dispatch a plane.

Mr Bates: That's correct.

Mr Gilchrist: Mr Peters, let me ask you point-blank, are you more or less comfortable with the idea of a penalty clause built into contracts with people who provide services to the government for failure to provide?

Mr Peters: To be fair, I would have to look at the entire contract. The RFP was issued subsequent to our audit, so we have not had a chance to look at the whole document.

Mr Gilchrist: I'm not asking you to pass judgment on this. As a philosophical question, when the government enters a contract with someone to provide a service, are you more or less comfortable with the idea of a penalty clause if they fail to perform one of the standards they agree to?

Mr Peters: Normally, yes, we would be more comfortable with a penalty clause being built in, particularly

since, if I correctly remember the reading of this clause, there is also a discretionary part of this. Am I correct in assuming that the clause contains a consent by the ministry?

Ms Martel: Yes.

Mr Peters: There is a consent clause, so we really would be satisfied because both are present: one, a consent—in other words, the ministry is involved in terms of monitoring—and secondly, if the performance is not up to the standard the ministry requires, a penalty could be imposed based on consent by the ministry.

Mr Gilchrist: Thank you, Mr Peters. I think that clarifies it. I see a very big difference between a penalty clause and the suggestion that standards were being changed. I think that's been clarified, both by you and by the ministry. Recognizing the time, Mr Chair, those will be all my questions.

The Chair: There are five minutes left. Is there anybody else in the caucus?

Mr Garfield Dunlop (Simcoe North): Just one quick question. Could you tell me about the inventory you have of air ambulance equipment?

Mr Bates: Inventory in terms of number of resources?

Mr Dunlop: The number of helicopters, planes etc that the government and the private sector operate.

Mr Bates: All right. There are 11 helicopters now being utilized in different places across the province. We have a board here that we would be pleased to share with the committee indicating the location of every aircraft in the province and how they are staffed. I hope you can see it.

The Chair: You'd better hold it up.

Mr Bates: Here are some illustrations of the helicopters that are utilized across the province. As you can see, they are painted in the orange and blue colours, and "Ambulance" is on them. You were asking about where they are. There are dedicated air ambulances in Toronto, London, Ottawa, Sudbury and Thunder Bay at this point in time. There are fixed-wing dedicated in Sioux Lookout and Timmins, and also in Kenora and Moosonee. I mustn't forget Kenora and Moosonee from the north. There are also standing-offer agreements throughout the province, such as Fort Frances, Kapuskasing, Muskoka and London, as well as Hearst, Island Lake, Dryden and places like that where we have the opportunity to use standing-offer agreement aircraft as required, which are staffed with paramedics as well. So it's a full system throughout the province, controlled through the base hospital—Sunnybrook and Women's College Health Sciences Centre—that provides the type of care necessary for 17,000 patients each year.

Mr Hastings: Could we get a copy of that data that you have in disk or pamphlet form?

Mr Bates: Absolutely.

The Chair: Before we adjourn, Ms McLeod has a motion.

Mrs McLeod: I move that the Provincial Auditor be asked to investigate the value-for-money aspects of the decision by Cancer Care Ontario to provide after-hours

radiation therapy through a private clinic rather than in-house.

The Chair: Is there any discussion on that?

Mrs McLeod: Just very briefly, the reason for asking the Provincial Auditor to investigate this is that we simply don't understand the value-for-money aspects of this. If this program offsets the re-referral program, then there's an obvious saving in not having to send patients out of their home community to the United States or to northern Ontario. The question is, if this after-hours program can offset the cost of the re-referral program, why would the Cancer Care Ontario agency not have done that in-house rather than through a private clinic? We're not questioning that there is cost effectiveness to ending the re-referral program, if this is a way of doing it, but simply, what is the cost effectiveness of doing it through a private clinic rather than doing it in-house with Cancer Care Ontario? I believe that because Cancer Care Ontario is a provincially funded agency, it is within the scope of the Provincial Auditor to conduct that investigation.

The Chair: Any further comments? Then I'll call the question. All those in favour? Opposed? The motion is lost.

Is it the intent that the ministry is to come back this afternoon? Yes? OK. Then we stand adjourned until 1:30.

The committee recessed from 1203 to 1334.

The Chair: I'd like to call the meeting back to order, please. We'll have another round.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): It was reported that providing ambulance service in our area has skyrocketed and we're going to be a few million dollars short this year. I would just like to have you gentlemen's comments on that issue. It's the Cornwall area.

Mr Bates: Yes, Cornwall is the designated delivery agent, as we talked about the last time. They are working on the—

Mr Cleary: There was a deal made by the provincial government to give it to a second-tier municipality.

Mr Bates: They are developing their budget and will be submitting it to the ministry. I don't believe as yet they have submitted it. I know that they have asked for an additional fund to compensate for some of the difficulties. I think you're mentioning an article in the paper that came out maybe a week and half or two weeks ago with respect to paramedic services.

Mr Cleary: Yes, in the paper and in our office and everything else.

Mr Bates: Yes. So as we receive the budget, we certainly will give every consideration to what they're looking for. It hasn't come to us in the way of indication that they're going to be that much short, if at all. I may be speaking in advance of the receipt and a final decision on the budget submission, but I believe it will be reasonably acceptable to both ministry and municipality.

Mr Cleary: Have they been told not to expect any additional funds till the year 2002?

Mr Bates: Not that I'm aware of. They're going to be getting 50% of the costs, as we've discussed with respect to the template. If they have a special circumstance that they wish to submit to us, that consideration will be given under the template. But I'm sure they haven't been told not to expect any additional funds.

Mr Cleary: What I'm told in my office is that other municipalities are getting extra. Why aren't they in that area? But anyway—

Mr Bates: Maybe I can expand. I think I know what you're referring to, and that is the paramedic requirement with respect to changing on-call paramedics to more full-time paramedics. Other municipalities around and about, adjoining, have requested that and have been approved for that as a special circumstance. That same consideration would be given to Cornwall—

The Chair: Excuse me for a moment. Could everybody check their cellphones and turn them off, please. Because there's one going off somewhere. No longer. Go ahead.

Mr Bates: Does that answer your question, sir?

Mr Cleary: Partially, I guess.

Then there's another municipality on the outside and its first-response criteria agreement. If the ambulance doesn't land there within what the provincial guidelines say, they're trying to set up another service to deal with the patient.

Mr Bates: There are two different possibilities that you could be referring to. One could be first response by a first-response team, which is an accepted practice across the province. The other could be transportation of non-emergency patients by a non-ambulance service. I think I need a little clarity, if that's possible.

Mr Cleary: I'll tell you what they wrote to me.

Mr Bates: OK.

Mr Cleary: "Recently, one of the municipalities announced a community first-response criteria agreement. While I applaud their efforts in establishing a first-response plan, part of the reason one is necessary is because the ambulance response time in rural areas often exceeds provincial guidelines. This team will be dispatched if the ambulance estimated time on arrival to the scene of a high-priority medical emergency is over the 20 minutes."

Mr Bates: OK, that clarifies it. This is a standard that's used across the province. It has been used for many years, the establishment of first-response teams primarily in rural areas, as you say, where the call volume is not sufficient at that particular time for an ambulance to be domiciled there all the time. So what happens is the first responders are trained in first aid and medical response and receive basic, fundamental equipment for the provision of care until the ambulance arrives. There are probably in excess of 75 such teams, maybe even 100, in the province at this particular point in time. It's an accepted practice. It works well with the local citizens being able to provide the type of service they need until the ambulance arrives. It certainly saves lives.

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Mr Cleary: These municipalities are upset because they've not only been downgraded with ambulance services but they've been downgraded with many other services too and they just don't have the money. What they're doing to them in health care right now is ridiculous. These new hospital plans they're supposed to be building and everything, the money just isn't there in rural Ontario. I think it's a disgrace what's happening. In a lot of the areas the rural residents are going to suffer from what's happening.

Mr Bates: What I find is that the first-response teams are a very economical way of establishing the type of service that's required in these communities and it's a proven way of doing it. It involves the local citizens. This is something, of course, for the municipality to decide upon, if that's the route they'd like to go, additional first-response teams. If it is, as I say, it's a proven method at a very low cost. I can't say much more than that it has been proven to save lives, and I'm sure if you were to ask a number of communities, primarily in northern Ontario, that utilize such a service, you would hear accolades from that.

Mr Cleary: So I take from you that you're going to pay 50% of everything?

Mr Bates: Yes, the template calls for 50% of the approved cost for land ambulance.

Ms Martel: I have one other question with respect to the template. It says, "The Ministry of Health and Long-Term Care will consider special circumstances, providing the municipality can make a business case." Can you outline for the committee what those special circumstances would be, and are they outside of your ongoing consultations with individual municipalities to bring them up to 1996 standards?

Ms Kardos Burton: First of all, because they are special, we haven't scoped the waterfront on what they would be. They would be any unique circumstances that arise.

The one commitment that we did make to all of the municipalities, however, was that we wouldn't do one-offs in terms of giving something to somebody that we wouldn't give to somebody else. I think what will happen is that we will be discussing all of the special circumstances with all of the committee when they come up. They would be anything unusual that's sort of out of the normal course of things. That's what we would be expecting.

Ms Martel: Can you give us an example?

Mr Bates: I can give you an example from your particular neck of the woods, Sudbury.

Ms Martel: A \$4-million shortfall. At least that's what they tell me. Go ahead.

Mr Bates: I was referring to the fire that you would be well aware of that took place in the ambulance station and the vehicles that were lost. That's a special circumstance, I think. It doesn't happen every day that there's a fire that removes half of the ambulance fleet and the main ambulance station. So it's something that would

have to be given consideration by the Ministry of Health for a funding approach.

Ms Martel: And their \$4-million shortfall, they can deal with you in July on the operating side, right?

Ms Kardos Burton: Right.

Ms Martel: Let me talk to you about redirect consideration and the critical care bypass, because the auditor noted this in his report. He said, "The ministry should analyze the impact of redirect and critical care bypass on ambulance services, including response times for subsequent patients..." The ministry's response in the report was, "The ministry addressed the impact upon the Toronto ambulance service through a 10-point plan" and that components of it will be extended to other municipalities in the province where redirect and critical care bypass are extensively used.

My understanding is that the 10-point plan was announced in December 1999 and proceeded to be implemented after that. Here's my concern. If you look at the August 2000 figures for the number of hours that hospitals in the GTA were on redirect or critical care bypass, it was up 1,101 hours from August 1999. We're up over 1,000 hours from August 1999 to August 2000. The second concern I have is that the Ontario Hospital Association, in a report which I'm told is called *A Matter of Hospital Resources: An Emergency Care Action Plan*, which was released in September, said that GTA emergency rooms on redirect or critical care bypass are up 66%, and they didn't even include the August figure that I just referenced. So how is it that the ministry is relying on a 10-point plan in the GTA which, if you use just those two indicators, doesn't appear to be solving the critical problem we're having in emergency rooms?

Ms Kardos Burton: This is Allison Stuart, director of hospital programs.

Ms Allison Stuart: Perhaps I can give you a little bit of an update as to what has happened since the 10-point plan of December 1999. The 10-point plan included the following. There were flex beds provided in Toronto and the greater Toronto area. Flex beds meant that they could be opened for a four-month period during the year and the hospitals could decide when they needed them the most to respond to pressures that they were feeling. So there were additional beds.

We also provided additional discharge planners. Hospitals would be able to start the discharge planning process really when a person first arrived at the hospital so that when they were ready for discharge the plans were in place.

We also divided Toronto up, if you will, into three geographic areas and one age-related area, three networks—the central network, the east network and the west network—and then a pediatric network. We clustered the hospitals that were within those boundaries to work with the ambulance service—in this case the Toronto ambulance service—to work with all aspects of the system to look at pressures or issues that they were experiencing and look at problem resolution. Each of the networks has now produced a document which outlines

their findings, which is being reviewed with the Ontario Hospital Association, the obviously the involved networks.

Ms Martel: Might I ask, does the report account that clearly the measures that you've put enough to outline for us did nothing to reduce the number of hours that hospitals were on redirect or critical care bypass in the GTA?

Ms Stuart: I haven't got up to my 10-point plan yet, got some other points.

Ms Martel: What I'd like to know is, what things that you're probably going to outline in the working, how is it that even in January and February of this year we've got hospitals in the GTA that are 80%, 90% on redirect? As of January 1, 2001, 21 hospitals serving the GTA; 21 were telling us somewhere else, 14 were on critical care bypass, seven were on emergency redirect. That's January 29, you had 23 hospitals; 87% of patients to go somewhere else, 13 hospitals on critical care and another seven on emergency redirect. February 13, 86% were on critical care bypass. February 12—and we've got the listing of hospitals that were doing redirect and critical care bypass—recent one just this Tuesday at 83% of GTA hospitals. At 12:30 am this morning, 19% of the 23 hospitals were redirecting patients, 12 were on critical care bypass, seven were on emergency redirect.

I've given you some examples in August. We would have hoped part of the 10-point plan would result in a reduction, and then I've given you as I can, and we still have a serious problem wondering why all of the initiatives aren't working.

Ms Stuart: If I may, I'd like to go back to the initiatives, because after we did the 10-point plan, another strategy that built on that. So that we understand what was being built upon, I thought I'd go through the other points of the 10-point plan. I'll come to your question.

Ms Martel: Are you going to get to my question about losing space?

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Ms Stuart: Absolutely. So the additional space we provided each of the networks with a chance that they could help that network come up with solutions to those issues. We also appointed a provincial emergency services coordinator to coordinate issues across the province and bring those forward. We also added 1,000 long-term-care bed complement for Toronto people who were in hospital and waiting for a care placement would have a place to go and that space could be used for acute care.

For the ambulance service itself, we put in place with additional assistance on a pilot project could test whether it made a difference having additional ambulances to do critical care transports by ambulance so as not to tie up doctors and nurses, paramedics doing that transfer, as well as additional support in the ambulance dispatching.

negotiate with hospitals around what level of service they were able to provide.

Those initiatives were successful, and we decided to build on those. In July and August of last summer, the then Minister of Health and Long-Term Care announced further initiatives: additional beds in Toronto, additional beds in the GTA, and additional beds—those flex beds I talked about that were available for a four-month period—across the province. So we had additional beds in place; we had additional discharge planners put in place so the discharge planners we talked about for Toronto/GTA were then available across the province; we provided the coordinators; and we of course had the flu vaccine available to all people.

One of the other things we undertook to do at that time, and this was in response to comments and feedback from service providers, was a review of the RDC—redirect consideration—and critical care bypass model, and whether it was really serving the purpose for which it was intended. We struck a group of people from the field, including emergency physicians, emergency nurses and CEOs, to review the use of RDC and CCB and whether there was something better to replace it. The issue around RDC and CCB, and I think you've demonstrated this, is that it was a tool that was developed in 1989 to deal with extraordinary events, events where a hospital has an internal type of disaster, should it be a fire or a bomb scare or whatever it might be, and it was used very infrequently. It was a way of formalizing the need to let other people know the status of the hospital. As time went on, the use of it increased. It stopped being as useful a tool, because it was meant to be a means of quick communication between the ambulance dispatcher and the hospital emergency department. As it became—

Ms Martel: Can I interrupt you for just a second?

Ms Stuart: Yes.

Ms Martel: I appreciate all of that, but here's the reality. The ministry's response to the auditor's concern with the 10-point plan—we are a year later, after the 10-point plan being introduced, and this week we had another 83% of GTA hospitals sending patients somewhere else. I regret to say that I cannot see how the 10-point plan has solved the problem.

The second point I want to make: you mentioned that the minister had announced more beds. Is it not true that even with the minister's announcement, which was about 575 beds, we will have a decrease of 498 beds across the GTA from what we had in 1995? Even with her announcement of more beds, because of the beds that have been cut under this government, we will have 498 fewer beds. So we have two problems: we have a 10-point plan that is not working, because if it was, we wouldn't see the kind of redirect that we continue to see even as recently as yesterday, and we wouldn't be in a position where we actually have fewer beds, which I think is the biggest part of the problem with respect to emergency rooms right now—that we just don't have the acute care beds.

Ms Stuart: In terms of the 10-point plan and then the follow-up emergency services strategy, and part of that

strategy being a review of RDC and CCB, the difficulty with RDC and CCB is that it is only useful at that nanosecond in time when somebody has registered the activity at that point. It's not useful 10 minutes later or 10 minutes earlier when there may have been other changes in the emergency department. So it gives a false sense to those other than the dispatcher and the emergency department of really what it means. Emergency departments are always open. Ambulances always have a destination, and this was reaffirmed by a standard that was set that allows ambulances to override the hospital's position in terms of how accessible they can be at that point in time if the needs of the patients warrant that.

We have acknowledged that there are changes necessary to that system, and in fact the working group that I mentioned earlier, the redirect consideration/critical care bypass working group, studied this problem and made a recommendation which is now going through a consultation period with the field. The results so far are very positive in terms of a new way of talking between the ambulance service, the dispatch centres specifically, and the emergency department, which will allow for, I think, a more accurate picture of what's going on in emergency departments.

Ms Martel: So what you're saying to us is that what it's going to allow for is paramedics perhaps to bring those people in when they might not have otherwise because of the—I don't want to use the word "terminology," but maybe that's the best way, that people use to communicate what the situation is in the ER.

Ms Stuart: With the redirect consideration/critical care bypass definition, it was sort of like turning a switch. It was either on or off. First, in the new system what we're looking at is that every patient who is critically ill will be brought to the closest appropriate facility, full stop. For those people who are less ill, there is room for some negotiation, and if a hospital is feeling that because of the particular load they're experiencing at that point in time, meaning that they may not have enough nurses left over to care for any additional patients at that point or they don't have the equipment, there is an ability with this system to alert the dispatch and to start a dialogue there. They may not be able to take somebody with an undiagnosed chest pain because they don't have a monitor, but they could take somebody with an acute belly, something going on abdominally. So there's the ability to do that, which is much more flexible than the previous system.

Ms Martel: You've implemented that, right?

Ms Stuart: We have not implemented that.

Ms Martel: When do you expect to implement that?

Ms Stuart: The consultation process will be finished at the end of this week, and then the working group will be reviewing the findings from the consultations and we'll be submitting a final report.

Ms Martel: I wonder if this was the same proposal that was referenced in the Toronto Star on February 8, and I'm quoting: "Health professionals are praising a draft plan to replace the current system of redirecting

ambulances from busy hospitals, but they warn it won't solve the problem of overcrowded emergency rooms." Then they reference a Dr Tim Rutledge, director of emergency services at North York, who says "The problem is not an emergency room problem. The problem is not an ambulance problem. The problem is a backlogged system.... We don't have enough long-term care beds, we don't have enough home care, we don't have enough acute care beds," adding that a critical shortage of nurses means beds cannot open."

Is this the same system that you're talking about? There was certainly wide concern expressed that, even if you do that, it's not solving what is at the root of the problem.

1400

Ms Stuart: I think those comments were made before the consultation process even really started, before they'd had a formal presentation and an opportunity to ask questions and get them answered. There is an acknowledgement that the patient priority system to replace the RDC/CCB system is not going to somehow make the pressures that emergency departments feel go away, because there are other parts of the system in development. We have long-term care beds that are coming up to speed. While we're waiting for those, there are people in hospital who would be better served in a long-term care setting, but they're having to stay in hospital for the moment. But those beds are under development.

The pressures that are felt inside a hospital can manifest themselves, certainly, in the emergency department. Some of those are under the hospital's control and others of them are more problematic in terms of nursing numbers, etc.

Ms Martel: Would it be possible for you to table with this committee the number of hospital beds in Toronto? The figures I have are from a Ministry of Health document—but if you want to table something else, that would be great—which shows that the total number of beds in 1995-96 has been 11,878, and that even with the minister's announcement of 575, because there has been a decrease, we are going to be short 498 from what we had in 1995. It would be helpful if you could confirm for this committee whether or not that is the case.

My other question to you is this—

Ms Stuart: Could I just respond to that one?

Ms Martel: Sure.

Ms Stuart: Certainly, we'll provide the information that we have. But the other thing that has to be factored into this is that health care has changed so dramatically; that in fact things that we were in hospital for maybe even weeks—I go back a long way and I used to be a nurse. When patients had cataract surgery, they were in bed with the lights off and sandbags around their heads, lying flat for seven days. Now it's done as an outpatient procedure.

So the bed number is not magical. It's not as if we must stick with a bed number as being the only measure of whether a system can serve the citizens of the community, because it's not just about beds. There have been multiple changes.

Ms Martel: I understand that, but I will be in whether or not the new system is going out for consultations on results in less critical care bypass. We know—

Ms Stuart: There won't be any such or critical care bypass.

Ms Martel: But then your numbers will stay the same, right, in terms of people in emergency rooms?

Ms Stuart: When you say "jamming rooms, in fact if you talk to the clinicians in emergency departments, people who are getting that critical care and getting in that fashion. People who are using the emergency rooms for all sorts of reasons, instead of other settings may have to wait. If you talk to the doctors, they see that as being a critical impact has to be on getting the seriously critically ill first.

Ms Martel: But if I might, I even look at the number of hours. If you go back five years to the number of hours that hospitals in the redirect or critical care bypass, there has been a tremendous increase. August 1995, 794 hours; 4,861. That's just in August. If you do the total year figures, in 1995, 12,726 hours in the GTA were on redirect or critical care bypass. In 1999, 47,694. Something's happening here that I can't think is very positive for patients, and it's in emergency rooms or people in the bypass.

Ms Stuart: No, and that's why the Ministry of Health and Long-Term Care, even though you did not have to hear about it, did the 10-point plan for emergency strategy, because these are very important because it did add more resources to the system.

Ms Martel: I guess the difference we did do that a year ago, and if you just look at the numbers—

Ms Stuart: No, we did it six months ago.

Ms Martel: OK. But that's one significant change that you might make, which you say to me won't make a change in redirect or critical care bypass—the balance of the 10-point plan. In place a year, and the most recent statistics show we're still around 86% of hospitals in the GTA redirect or critical care bypass. That's a year after it was in place. I fail to see how the 10-point plan is addressing this problem. Even eight months after it was implemented, the August figures for redirect or critical care bypass were up over 1,000 hours from 1995. And that's not the flu season, so we can't say that's on that. We can't say it's more people coming into emergency wards or walking in, because the Fleuelling inquest showed that from 1995 to 1999 has been a flat line of people or ambulances in emergency rooms; that's not true.

So what is the problem, and why can't we do it?

Ms Stuart: I think we are fixing it, frankly. I mentioned earlier that one of the issues is, if you have people in your in-patient beds in a hospital who would be more appropriately cared for in other settings, that's a way of freeing up those beds for acutely ill people. We know that by the end of this year, by December, there will be an additional 4,500 new long-term-care beds, and that's going to have an impact. But, no question, there is a time lag between some of these decisions in terms of, for example, new long-term-care beds or reconfiguring a hospital and expanding the emergency department, expanding the in-patient units or whatever. There is a time lag because it takes time to build, and that's some of what we're seeing now. But we're starting to see some of the results. We do have new emergency departments. We do have long-term-care beds that are coming on stream.

Ms Martel: With respect to the emergency departments, can I ask, in terms of the Health Services Restructuring Commission process, do we have more or fewer emergency rooms in the GTA now than before the commission?

Ms Stuart: That's a good question. We have and we will have fewer emergency departments. However, emergency departments that are being rebuilt are being built to accommodate the volume of patients that were seen by another emergency department that's closed. For example, North York General Hospital's emergency department has been expanded, and that accommodates the closure of the Branson emergency department. We also have sites that are converting, not into emergency departments but into ambulatory care settings where they're able to provide a lot of the primary care services people are coming to emergency departments for.

Ms Martel: Is the problem that we closed some of these emergency departments before the new ones were up and running, so we have less in an interim period to handle the load?

Ms Stuart: We didn't close any emergency departments before the new emergency departments were open. The emergency department at North York General was expanded and opened, and Branson closed. The emergency department at Wellesley was open; we expanded St Mike's emergency so they could accommodate the greater volumes and close the other.

Ms Martel: When you do this comparison of St Mike's and Wellesley, when you reopened at St Mike's, did you have more capacity than had been at Wellesley and St Mike's combined?

Ms Stuart: We had more capacity, more stretcher spaces at St Mike's than had been at St Mike's and Wellesley.

Ms Martel: What about staffing? I'm not sure what you mean by "stretcher space."

Ms Stuart: By stretcher space I just mean stretcher bays. I can't tell you about the staffing, because I just don't get—

Ms Martel: Let me back up. When you opened at St Mike's, you had more—I'm going to say—rooms to put

emergency patients in than previously when both St Mike's and Wellesley were open?

Ms Stuart: Yes.

Ms Martel: Is that the same with Branson and—sorry, I forget the other reference.

Ms Stuart: North York General. I'm going to say yes. I can't remember the details, but I'm pretty confident the answer is yes.

Ms Martel: OK. Do you think hospital restructuring has had any impact on what's going on in emergency rooms in the GTA?

Ms Stuart: Absolutely. As the hospitals are re-developed, there's a period of time when the public is confused. They're not sure where their alliances are. We can plan all we want, but people decide for themselves where they're going to receive care. So when a hospital or an emergency department or a service that they have been used to at one organization isn't going to be provided any longer, the individual makes some decisions: "Do I go where my doctor's going? Do I go someplace that's closer to where I now live?"—those sorts of things. So there are those decisions being made.

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Also, within a hospital, when you're making the kinds of changes that have been made across the province, the hospital goes through a period of change, as well as developing new services and taking on new services or maybe divesting services.

The Chair: Thank you very much for your attendance here today and in December. We look forward to getting the various pieces of information that you said you'd provide for us. This portion of the hearing is adjourned.

AUDIT ACT AMENDMENTS

The Chair: We do have one other matter, and that deals with the proposed amendments to the Audit Act. This item is on the agenda at the request of the auditor, although I fully support him in his request. I'll give the floor to Mr Peters at this point in time, and we'll see how we deal with this.

Mr Peters: It's also on the agenda because the question was raised by the vice-chair of the committee in the presentation of my report, that this is an area that should be addressed.

The main purpose of my presentation today is to ask this committee to support amendments to the Audit Act aimed at permitting my office access to all records of certain transfer payments or grant recipients that we need to perform our duties under the Audit Act.

Currently, we can conduct inspection audits of grant recipients, which by legislative definition limits our access to accounting records only. In other words, we can go into a school board and look at their accounting records, but we cannot look at any other records that we require if we want to do a value-for-money audit.

I would like to provide you with the background and the underlying principles that describe the primary intent and the advantages of amendments to the Audit Act.

These amendments are necessary so that the Legislative Assembly, through its officer—me, the Provincial Auditor—can be provided with discretionary assessments if transfer payments and grants amounting to more than one half of the government's annual spending are spent by the recipient organizations effectively for the intended purpose and with due regard for economy and efficiency.

I deliberately mentioned certain grant recipients because, out of the \$44 billion that we spent in fiscal 1999-2000 in transfer payments, it is my view that only certain grant recipients should be subject to value-for-money audits by my office.

There's a brief handout; I just wanted to highlight that for you. These numbers are coming directly from the public accounts of the province. You see at the bottom that they total about \$44 billion, and \$30.5 billion is spent through these organizations. The large ones, you can see, are hospitals, long-term care facilities, child welfare organizations and child care organizations. School boards certainly are very large, with \$7.7 billion; universities, \$1.6 billion; grants to colleges and capital grants to post-secondary institutions.

I deliberately mentioned that only certain of these recipients should be subject to audit, so let me refer to those as the schedule A grant recipients which receive, as was said, \$30 billion, and the schedule B, \$14 billion in the fiscal year 2000.

Simply put, schedule A recipients meet the following two criteria: (1) they must be eligible to receive a grant, and (2) the government grants the funds with strings attached. Such strings may entail direct compliance with relevant legislation, spending the funds cost-effectively and only for specified government program purposes. The recipients of schedule A grants—I outlined to you the larger one when I went through the schedule.

Most of these grant recipients operate within different but, in most cases, quite inadequate accountability frameworks with the fund-granting ministries. This is a very important matter. I note that the legislation for the management of accountability to the government of transfer payment recipient organizations, the Public Sector Accountability Act, which was promised in 1997, has not yet been drafted. I have no indication where that legislation stands in the government's priorities, nor should the proposed amendments to the Audit Act be dependent on introduction of this Public Sector Accountability Act, because I just don't know when this is going to happen. I propose that schedule A grant recipients be subject to full-scope compliance and value-for-money audits by my office.

Schedule B recipients also receive grants based on eligibility, but unlike schedule A recipients, they are not subject to stipulation about how their grants should be spent and there are no strings attached.

The principal schedule B grant recipients are general welfare or family benefit allowance recipients, medical practitioners who receive OHIP payments and pharmacists who are paid under the drug benefit program. So schedule B grant recipients need not, and indeed should

not, be subject to audit by my office. In other words, how a welfare recipient spends his or her money is none of my business. In fact, it's none of the Legislature's business either.

That all transfer payment recipients should be subject to value-for-money audits by the Office of the Provincial Auditor to enhance accountability has been clearly supported over the last 10 years. It has been supported by all three parties in the Legislative Assembly. It has been supported by two private member's bills, of which one died on the order paper and the other has just received first reading. It was supported by the standing committee on public accounts in 1989-90 and again in 1996. In both cases the support was based on public hearings. And it has been supported by the Minister of Finance in principle in a letter he wrote to this committee in 1996. Yet in spite of all the support, including the motions of this committee, no action has been taken to amend the Audit Act.

Among the documents provided to you by the researcher was a letter from the minister to me dated November 21, 2000. I would like to read to you salient extracts from a letter I wrote in response to the Minister of Finance on January 25 this year. In this, I referred to the fact that:

"...on December 20, 2000, Bill 180, the Audit Amendment Act, 2000, sponsored by Mr. John Gerretsen, received first reading. The stated purpose of the bill, as worded in its title, is: to ensure greater accountability of hospitals, universities and colleges, municipalities and other organizations which receive grants or other transfer payments from the government or agencies of the Crown.

"As such, the proposed amendments address the same core issues which you," the minister, "referred to in your letter of September 26 ... to the standing committee on public accounts.... Similar to Mr Gerretsen's bill, my earlier proposed amendments are designed to enhance the ability of the Legislature to hold certain organizations receiving government grants accountable for the prudent use of taxpayer funds by allowing my office to access the necessary information to conduct discretionary value-for-money audits of these organizations.

"As far back as 1990," as I said before, "the standing committee on public accounts has expressed its desire for the Provincial Auditor to have the legislated discretionary authority to carry out value-for-money audits of organizations receiving government grants. In 1992, Mr. Mike Harris stated in the publication *A Blueprint for Learning in Ontario*, that 'as recommended by the standing committee on public accounts, the Provincial Auditor should be allowed to perform value-for-money audits of ALL'"—and that's his emphasis; he put it in block letters—"agencies and recipients of government funds."

"In 1996," as I said before, "the standing committee on public accounts unanimously endorsed my proposed amendments."

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I'm concerned—I'd say a few other things; I was told we had to wait for the Who Does What restructuring in

the letter in 1996. But that was relatively unimportant to this process, largely because municipalities receive very little in terms of transfer payments, so Who Does What was not directly related to that. It may have been related to the fact that certain other programs may have been shared between the municipalities. In any event, that was the reason given in 1996 as to why the minister at that time agreed in principle with the amendments but did not wish to proceed at that stage.

"I am concerned about the apparent further delays since over a decade has passed since this issue was first raised, and the amendments are still 'under consideration.' Over the last decade the proposed amendments have been endorsed by all three political parties and by the all-party standing committee on public accounts."

The minister also says in his letter that he would like further consultation with the stakeholders. Quite frankly, their views were made known to the standing committee on public accounts in 1996 and again way back in 1989, and in both cases the committee formed its conclusion based on their presentations as well.

"All valid concerns expressed by stakeholders at that time were taken into account in drafting our proposed amendments that the committee submitted to you in 1996."

The minister also made reference to the Ontario Financial Review Commission's recommendations. I said to that, in my letter to him:

"As well, you have asked for any additional information on how amendments to the Audit Act would complement the Ontario Financial Review Commission's recommendations. I believe that there is an important role for my office to play in improving public sector accountability which is one of the key focus areas of the commission's work."

"Amending the Audit Act as proposed would put my office in line with the legislative audit offices of six other provinces in Canada whose legislation permits the initiation of discretionary full-scope value-for-money audits of transfer payment recipient organizations. Such audits are designed to independently validate performance information and to provide recommendations to improve performance and thereby add value to the public sector accountability relationships." That is what the Ontario Financial Review Commission was also asked to examine: how to improve accountability relationships. "As with other Canadian legislative audit offices, my office is uniquely positioned and suited to provide independent assessments and advice on performance and accountability relationships to both the government and to the Legislature."

I said to the minister:

"Your support for the intent of the proposed amendments was indicated in your 1996 letter in which you stated that you agreed with the principles upon which the draft bill to amend the Audit Act was based. Accordingly, and with this letter, I respectfully request a response as to whether you are willing to support amendments to the Audit Act to conduct discretionary full-

scope value-for-money audits of transfer payment organizations.

"In connection with the drafting of any amendments to the Audit Act, I would be pleased to receive advice from ... the Ministry of Finance and of the Management Board Secretariat on the proposed wording of the amendments. However, the final drafting of the bill should be the responsibility of my office and legislative counsel, in a direct working relationship with the sponsor of the proposed amendments of the Audit Act."

These are the key points I made to the minister.

I would now like to apprise you of the funding and staffing history of my office over the last 10 years. For this purpose, I have prepared for you three charts showing the funding and staffing history of my office relative to all legislative audit offices in Canada in relation to Ontario's revenues and expenditures, and I have a handout which has been prepared.

If I may, I'll make one introductory comment. I'm presenting this to you not to pre-empt my request for estimates, which, as you know, is dealt with by the Board of Internal Economy; I'm presenting this to you because under section 29 of my act also the chair and vice-chair of this committee are invited to attend the review of my estimates with the board at that time, and I thought it would be worthwhile in this connection for the committee to have an appraisal of the situation, where we stand.

The first chart shows the comparison of audit office costs per thousand dollars of government revenue and expenditures—in other words, which we audit—our budget in relation to that. You will see on the right-hand side of the chart that Ontario spends six cents per thousand dollars on my office. Quebec, being the nearest, spends two and a half times more in relation to their revenues and expenditures. I take Prince Edward Island out of the equation largely because it is a relatively small government and therefore basically having an office provides a large percentage. But if you go to Alberta, which has been used very often as a benchmark, we are looking at an office that is funded at over five times the rate of mine, in relation. So these are the dollars.

If we translate this into the audit office staff members and the expectation of audit, how much we expect each staff member to audit, you will see that Ontario clearly is funded on such a basis that I would expect one of my staff members to audit over \$1.4 billion of government expenditures a year. The nearest is the federal government, on this chart, which expects \$620 million, and it goes down all the way to Alberta at \$317 million, or roughly one fifth, and Newfoundland at one seventh, PEI again being an exception.

You can see that my office in relation to the other offices in Canada is significantly lower-funded. In fact, I am of quite a bit of concern to my colleagues across the way, because they are starting to question how we can be effective.

The last chart I thought I'd show you is from 1991, on the history of my staffing complement in relation to

government revenues and expenditures. As you can see from the chart, ultimately, by the year 2000, government revenues and expenditures since 1991 have increased by about 38% and the complement of my office has decreased by 25%. I thought I would just apprise you of this situation.

There were two fundamental reasons why I did this. Reason one is to illustrate to you that my office's resource situation is worsening. Regardless of whether the Audit Act is amended or not, my office requires better funding to serve the Legislature. Bluntly speaking, currently we do not have the resources to conduct audit examinations with the frequency dictated by risk assessments. Also, when you as a committee, for example, give me special assignments such as the Bruce deal, I will have to go to the Board of Internal Economy for extra funds. I estimate right now that, as a minimum, we will look at \$90,000 to \$100,000 alone in money to hire special assistants to deal with that situation.

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Also, one other feature which concerns me is that we cannot afford the legal and specialist staff which other legislative audit offices can afford. To give you one example, the federal Auditor General actually has a number of lawyers and economists, statisticians, on staff. I can't afford that. I have no legal staff, I have no economists, I have no statisticians. In fact, I should tell you that way back when I was an Assistant Auditor General of Canada, 21 years ago, I ran one audit, for example, with 35 staff members. I don't have anything like that. Here, the maximum we have on any audit is about five staff members, and at that time I had five accountants and 30 specialists. They ranged all the way from fleet management specialists, because we were doing the Department of Supply and Services, to mathematicians and what have you. So that was one reason.

The second reason is simply to ask this committee for its support to allow my office to serve the Legislature better on two fronts: firstly by amending the Audit Act so we can conduct discretionary value-for-money audits of certain grant recipients—that has been supported all along—and to ask you to support my request to strengthen the resource base of my office.

With that, I open it up for questions.

The Chair: Questions and comments?

Mr Sampson: Are there particular amendments that you have proposed to be considered by the committee?

Mr Peters: Yes, we have, actually. In the 1996 meeting, we provided the whole proposal, with each paragraph outlined with what the change would entail. The principal thrust of these issues, of course, is in the area of being able to audit transfer payment recipients, but there are also administrative changes.

Mr Sampson: We don't have those before us.

Mr Peters: No. I'm quite prepared to provide you with a copy, but I didn't know whether you wanted to go that far at this meeting.

Mr Sampson: Let's just talk in generalities. It might be a bit helpful. Most of these organizations where you

would propose having the value-for-money audit function currently have the requirement to have auditors in one way or another report to the shareholders or to the organizational executive on a reasonably regular basis. Are you proposing to do an audit in addition to them, in conjunction with them, in lieu of them? How do you see that role shaping up?

Mr Peters: We have given quite a bit of thought to that. The statutory audit that most of these organizations are subjected to—let's be concrete about it: for example, hospitals or universities—have private sector CA firms provide audits of their financial statements. The act as it is currently written allows me only to redo their work, which of course is a total waste of money. I quite frankly don't presume that I can do a different—

Mr Sampson: They're making sure all the credits and debits are in the right place, if I've got my auditing language correct from my 10 minutes of MBA.

Mr Peters: Indeed, you have it correct. But what they don't do is value-for-money audits.

Mr Sampson: Is that because they aren't directed to do those audits in the first instance?

Mr Peters: For two reasons. The first one is that it costs quite a bit of money. Value-for-money audits are not an inexpensive kind of audit; there's no doubt about that. The second one is that normally the boards themselves are not, as a routine, that interested in that. The purpose of value-for-money audits, why it is a unique feature of auditors of the Legislature, is really to give you, the Legislature, a sense of whether value for money is achieved, or some assurance whether value for money is achieved in ministry operations and in other operations. As I said, in other provinces the legislative auditor has been given the mandate to do this for these transfer payment recipients as well. So it would be to report, essentially, to this forum on the value-for-money audit.

Mr Sampson: Just to continue with that illustration—and I don't mean to pick on the hospital sector—you say that the interest of the boards might not necessarily be a value-for-audit interest. That may well be the case. I would say, as we go forward, that we would certainly encourage them to be a little more focused on the value-for-audit results, especially as they relate to levels of service for the amount of money we're spending, or that they're spending on our behalf. So I'm just trying to understand. Let's assume they become more focused on quality and value of service in addition to their fiduciary obligations to make sure the debits and credits are in the right place and everything adds up. Let's assume they become far more focused on making sure the dollar is properly spent and not just spent. Would you see them instructing their corporate, private auditors to do that role, or do you see your doing that role? I'm still struggling with—let's say Price Waterhouse is auditing XYZ hospital, and the board says, "We want you to audit and tell us whether we're getting good value for the money we're spending as it relates to service." In your view, is that something they could do, should do, can do?

And what would your involvement be in that type of assignment?

Mr Peters: If it were done right now, I couldn't have any assignment. I couldn't participate, largely because, first, historically, when one of my predecessors decided to audit universities, the universities immediately hired lawyers—

Mr Sampson: Yes, they were somewhat upset with that.

Mr Peters: They were very upset at that time. They hired lawyers.

Interjection: Hospitals were upset.

Mr Peters: Yes, hospitals were upset about it as well. And there's another issue—

Mr Sampson: See what lawyers do? They get you into trouble.

The Chair: If there are any lawyers there, that's probably why he gets work done.

Mr Peters: Or they kept him out of trouble.

The lawyers were essentially asked, "What is an accounting record?" That's what an inspection audit is defined as in ours. What they virtually came up with was that it was the books of account and that sort of thing. But, for example, they specifically opined that as a result I would not have access to the reports of other auditors. I would not have access to even the management letters that were written to a particular organization as a result of a financial statement audit. They were not deemed to be accounting records; therefore, I couldn't look at them.

If the right of access to information that would be granted under this act would indeed spawn value-for-money audits initiated by boards of directors, I would welcome it and I would work with it.

Mr Sampson: I think we're all driving in the same direction—believe it or not—that we would like to make sure the dollars being spent, by whomever in government on behalf of the taxpayers, are spent wisely and fairly and effectively and efficiently—all these lovely words. I guess where I have a bit of a problem is that I wouldn't want boards of directors who are given that responsibility by government to somehow feel they've been discharged from that responsibility by saying, "The auditor will do the audit, so we really don't have to make sure our auditor looks at it." I'm a bit worried about the usual finger pointing that can go on as a result of that. I would be a lot more comfortable with saying to those who manage these little businesses—don't go ballistic on me, Shelley—with a value-for-audit type of function right in their obligation and that you have some ability to look at that.

Mr Peters: You're making an extremely valid point, and one that really worries me in this whole exercise. Actually, let me answer in two ways. First, if, say, the Toronto General were to hire PricewaterhouseCoopers to do an audit, the reporting responsibility of PricewaterhouseCoopers would be to the board. The ministry and, even less, you as legislators would not find out the state of affairs in that, in regard to value for money, because the report would be addressed to the board of

directors. That points out the other problem that was identified in proposing the Public Sector Accountability Act of 1997, that actually there was no proper, legislated accountability framework in place for the management of these transfer payment organizations.

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To give you a very extreme example that I ran into in the beginning, and I think it still exists, universities is one example. When we talked to the Ministry of Colleges and Universities, which was at that time in existence, then stopped and is now in existence again—and the working relationship is very much improving currently on that particular front, and I'm pleased to note that. But when the ministry asked universities for financial statements, the universities could say, "Go away. We won't give them to you," because there was no legislation in place. There was no requirement at all for the ministry to receive this information.

Mr Sampson: We're talking more than just financial statements, aren't we? The financial statement would just tell me the money was spent, as opposed to answering the question we're asking: was it spent wisely? That's the question, is it not? What I'm saying is, wouldn't it be nice to say to the universities, "That's part of your obligation"; that in addition to telling me the money was spent, and it's not sitting in some other bank account in some other country in somebody else's name, it was spent properly. That, to me, should be the responsibility, if you will—it might be the wrong word, but I'll just use it anyhow—of the person who is in charge of the organization. How your office responds to those reports and that responsibility I think probably needs to be discussed. I'm not fully convinced it means you need to go in and do that value-for-money audit on all these organizations. It may well mean you need to review those. I don't know. That's why I asked the question about the amendments. I would like to see the amendments, to see what exactly it's asking—

Mr Peters: I can provide them to you, but the amendments just straightforwardly say remove the limitations that access information that I can only look at if I'm—

Mr Sampson: Is it just access to the information or is it the ability to do the audit?

Mr Peters: No, no. The ability to do the audits I have. I have that under my act.

Mr Sampson: They just won't let you have the information.

Mr Peters: I just don't have the information to do it with.

Mr Sampson: A slight problem, right?

Mr Peters: There's a problem in the act, that I cannot have the information I need to do the audit. I would do it discretionary. I would also hope very much that this would become simply a catalyst for action. In other words, I will not usurp the responsibility of management to manage for value for money—that remains their responsibility, regardless—but simply the fact that on behalf of the Legislature I can look at an organization that, say, receives hundreds of millions of dollars of tax-

payers' money and know that they are spending it actually for the purpose intended.

Mr Sampson: What would be the reach of this access to information? Would you see this going to the municipal sector?

Mr Peters: No. Quite frankly, I don't, because the municipalities are separate. Also, currently the way municipalities are funded by this government, we have gone out of the transfer payment grant business essentially. So there are no longer strings attached. Even before that, when we started the debate in 1996, the grants to municipalities were really unconditional. There's no point in me looking at how they spend unconditionally granted money, because the taxpayer has given this to the municipalities and has attached no conditions.

Mr Sampson: With the exception that now a lot of the grants are conditional on certain programs and certain events.

The Chair: They're starting up again.

Mr Sampson: There's a certain city in which we're sitting now that's looking for an unconditional grant. The chances of that going without any strings are pretty remote, I would have thought.

Mr Peters: The minute there are strings attached, the first line of action is really for the government to empower the ministry that provides the grant to have some sort of monitoring or supervisory function to ensure that the money is properly spent. That is number one. But the audit is just the assurance that it is happening. To give you an example, let me just illustrate one particular situation that we ran into in the university sector. The universities were funded at that particular time on the basis that they got so many dollars per every student enrolled in the liberal arts program, so many for MBAs, so many for science programs etc throughout. The forms arrived at the ministry. The ministry added them up and said, "Yes, here's the cheque." But the ability of the Legislature to actually assure themselves, even as a minimum, that this information had been properly reflected was not there.

The Chair: Or that the money was spent for the programs it was supposed to be spent for.

Mr Peters: Or was spent for the programs that it was supposed to be spent for. This is one of the other things that is currently happening, and which I quite frankly endorse by the government, that our grants are far more directed now; we are seeing for a specific purpose. We have long debates, for example, on university funding, as to whether—you know, the universities are very conscious of academic freedom and all that sort of stuff. The ministry is far more aimed in saying, "Yes, we'll give you the money right now, but you have to create spaces to meet the boom, echo and the double cohort" and that sort of thing. We would then, through this, have the ability, if we wanted to—under this fully discretionary basis. I assure you that out of the 181 hospitals, I don't have the resources. If I can look at one a year, I'd be really doing well, at least with the current resource level.

Mr Sampson: My point is, it seems to me we need to put the value-for-money responsibility in the right place first, those to whom we write the cheques, before we unleash somebody to go in to be able to audit that, because otherwise you'll have the responsibility resting on the wrong shoulders. Do you see what I'm trying to say?

Mr Peters: Yes, I agree with you. I don't want to really audit into a vacuum.

Mr Sampson: Yes, and that's what worries me, that you'd be doing that unless we say to the hospital boards or—what do they call them in universities?—the boards of governors, "Making sure the money is properly and effectively spent is your responsibility. Right? Hello? You got it? Knock, knock." Once they figure that out, then maybe their audits, where they engage PW or whoever to do them, would be far more a value-for-money focus as opposed to taking debits and credits, which you've got to do anyway to do the value-for-money audit.

Mr Peters: I would endorse that, but I would say to you that by acting on amending the Audit Act, that in itself would be a tremendous catalyst for action to get the other side going in that regard, because right now it's not getting going. I would love to see it get going. I don't like very much using the Audit Act as a tool of that nature, but it strikes me that after 10 years of wrestling with this, after the government spending \$30 billion a year on this sector, any push we can give to improve getting value for money for the taxpayer is really—and if the push is through just simply removing this limitation of scope in my Audit Act right now, it could very well act as the real catalyst to moving this ahead.

There have been members from various parties—I've been continually quoted—who wanted me to move in. At least three members have phoned me directly about institutions in their ridings. They wanted me to take a look at those organizations, whether they are managed properly. I had to say them, "Look, yes, you can persuade the standing committee on public accounts to pass a motion that I could look at that, in this case colleges and universities, but I have to say to you that they can shut the door on me because they can point to my act and say, 'You can't look.'"

Mr Sampson: Another one would be to say they've got to hire PW or somebody to do a value-for-money audit and you get to see it. That would be another way to do it.

Mr Peters: That's right. But technically even that could be denied me because they have legal opinions saying those kinds of reports are not accessible to me.

Mr Sampson: OK, but assuming we could get around—I don't mean "get around," but solve those legal hurdles, right?

Mr Peters: There's one way. For example, when the Honourable Elizabeth Witmer was the Minister of Labour, she solved it on the Workers' Compensation Board in a fairly neat fashion. She wanted value-for-money audits done at the Workers' Compensation Board

and she simply asked the Legislature for legislation that said that all value-for-money audits would be done under my direction but paid for by the Workers' Compensation Board.

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Mr Sampson: Frankly, that's where I'm coming from too. I think the universities—it should be part of their job as governors to make sure the money is properly and fairly spent. In fact, that should be what some of their auditors are paid to do. As you and I probably know, very few of them are doing that.

Mr Peters: Yes. We are in this situation where we have wrestled with this for 10 years. We have had massive support from this committee; it has been unanimous every time. The present Premier—who at that time, incidentally, was a member of this committee—was very strong on this point.

Mr Sampson: You mean there's some hope for some of us?

Mr Peters: Sure.

Subsequently, there was unanimous consent to do this in 1996. All I can do is urge you again. I'm saying that it's not extending the powers of my office. It's not that I want to assume responsibility. It is simply—

The Chair: After five years, I've finally found something I agree with him on.

Mr Sampson: Then I'm against it. If Gerretsen's agreeing with you, I think it's a bad idea.

The Chair: The mere fact that all these other institutions are fighting it tells me something.

Bruce, do you have a comment or question?

Mr Bruce Crozier (Essex): Yes, if they're done.

The Chair: Oh, sorry. Mr Hastings first.

Mr Hastings: Mr Peters, thanks for the indicators here. I must say that while they are somewhat useful, they don't really help me in trying to make intelligent determinations about how effective a program is or whether you're getting value for dollar for a science program over a liberal arts program or more care in paediatrics over old age, which are not very comparable.

Could you produce for us a chart that would indicate how much your office has saved over the years, by ministry, or probably better still, by specific projects you've been assigned—I know this committee has assigned you stuff over the years—where you can point and say that of these three special audit assignments, these recommendations—and you'd have to list them all—we managed to save \$150 million or \$2 million or whatever. If you could measure it that way, I think you'd probably get more support from the committee.

I find this way, where you have 6 cents for every \$1,000 spent or received for Ontario, and then you look at PEI, which is about the size of Peterborough—a great city—and you've got BC and Alberta. It's done on a unit basis. We're bigger, so obviously we're not spending as much money. Your argument, your business case would be that you need more money to hire more auditors to carry out some of the things you want to do and recommend. I know that's the traditional way of meas-

uring or using indicators to say you're behind, in essence. I'm saying, yes, it's appreciated; it's got some validity. But in my estimation, you'd have greater validity if you could have another chart, some way or other, either by specific audits, which we know you've done because this committee recommended it, and we worked at both, and then you did it by ministry or agency as well. To me, you'd have a more persuasive business case. That's my first perception.

Secondly, I'd like to ask you about these transfer agencies, which we still don't have very much accountability over. Do you think that if the Audit Act doesn't get amended—it really isn't the way to tackle it for transfer agencies, is it, that you have to amend each university act and community college act to do something like Ms Witmer did with the WSIB? You'd amend the University of Toronto Act or the UWO act or the Queen's act, to say, "You, the board at Queen's, are going to have to do an audit function for value for money for your operations over the last three years, and you're going to have to pay for it." Is there a way around it: instead of amending each act, amending the Audit Act under which your office operates?

Mr Peters: Let me answer the last question first. The draft of the amendment to the Audit Act that we have, which we developed in 1996, was developed together with legislative counsel. This is the most streamlined way of dealing with the situation, rather than amending everybody's act that is in there. I described the Workers' Compensation Board situation as an example. However, the Workers' Compensation Board is considered a trust. It's not even included. Technically, it's not a grant recipient; it's entirely funded by employer payroll taxes. I just cited it as an example of one way we could have value-for-money audits. We could work together with a board of directors of a transfer payment agency and say, "You do the audit. Can it be done under my direction?" But for that, I need these amendments to the act, because I need to get at all the information. They have to show me their plans and whatever is going on.

Mr Hastings: To cover all transfer agencies.

Mr Peters: To cover all transfer agencies. But of course, we would be very judicious. For example, there's no point in my wanting to audit General Motors of Canada because they receive a \$10,000 grant under some apprenticeship program. As a minimum, I think the starting point would be an organization that receives a massive amount of its revenue, as a percentage of total revenue, from the taxpayer.

The second part: When you talk about dollars, it's something I'm a little reluctant to do. The value of my audits—I could argue for you right now, for example, that when I came in 1994 and persuaded the government of the day to go to the modified accrual basis of accounting from the cash basis that was carried out at that time, I have an indication from the rating services that that shaved as much as 0.5% off the interest we were paying on the provincial debt. If you want to measure that, you're talking about half a billion dollars.

Mr Hastings: That's a good example.

Mr Peters: That's only one, and my budget is \$8 million a year.

The Chair: Eight billion?

Mr Peters: Eight million dollars, with an "m."

The other example—in certain years we have done it. I forget the exact year, but we identified savings of over \$100 million that could be achieved in one year alone. But—and it's a big "but"—we also must be able to persuade the organizations to implement the recommendations to achieve those savings, because I can only make recommendations. It depends very much on that. I'll give you an example.

When we did the colleges audit, we identified that the colleges were asking at the outset for money based on the number of "burns in seats," to use the colloquial phrase: "We need so many dollars, because we have so many students in the classroom." We found there was no follow-up as to whether that number of students actually materialized. When we did a calculation of some of the colleges, we found that the taxpayers would have saved \$17 million in one year if they had subsequently adjusted the funding to the actual number of students that showed up in the college system.

Mr Hastings: We still haven't done that, have we?

Mr Peters: Pardon?

Mr Hastings: That still hasn't been done, the example you're talking about.

Mr Peters: That's right.

Mr Hastings: We've been doing it on the traditional body count.

Mr Peters: What I'm saying is, we make recommendations. But I wouldn't like to take credit for savings that were not achieved because the ministries didn't follow our recommendations.

Mr Hastings: Then let me ask you this: the time I've been on this committee, I get the impression that we are somewhat frustrated by the presentation of the material at both ends. By that I mean you have a ministry that comes in and we examine some slice of that ministry. Right now it's long-term care with the ambulances. Corrections will be some slight slice—it will be not the whole thing, but we'll look at a slice of it. That accounts for as much as you get to look at in that whole operation.

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Do you think it might be better if we reconfigure the way we approach some of this stuff and you approach it in terms of giving slices of programs or a whole program? For example, if you had the amendment to the Audit Act that allowed you to carry out value-for-money audits in the hospital sector, your traditional approach would be to go and look at the whole operation, expenditure-wise, of that facility or of their buildings, if they have them, right? You'd look at the credits, you'd look at the debits, the number of people, if they've got interest in certain accounts. It would be a very traditional fiscal approach, right?

Mr Peters: No.

Mr Hastings: No?

Mr Peters: No. That's what I'm saying: I don't want to duplicate that, because Ernst and Young is doing that for the Queensway-Carleton Hospital in Nepean and KPMG may be doing it for the Toronto General.

Mr Hastings: But when you do a value-for-money audit, you are looking at some of the programs in that facility, correct?

Mr Peters: In a hospital, we would look at the hospital as a whole.

The Chair: No, but he's just talking in general; you do it anyway.

Mr Hastings: What I'm trying to get at is for us to make better decisions about whether you do get real value for a dollar, if you did a comparative analysis of a program—for example, where you have hospitals that have a pediatric function, they actually have X beds, they've got X doctors and support staff; they have to have the equipment, they have to have specialized stuff. To me, even though they might have a pediatrics program in a community hospital that's pretty small—there may be only nine or 10 births every 40 days, something like that, or 15, whereas at Sick Kids they have a pediatric function, or one of the Toronto hospitals down here, that can probably handle, I don't know, 40 or 50 births per month, minimum—to me, if you look at that program for pediatrics in neonatal care and all of those babies being born, I would get more understanding of whether we're getting value for money in that program. Even though your facilities may be a little different, you're still getting a closer comparative than if you look at a value-for-money function across a number of programs within that institution only, because you haven't got anything to really compare it to. You don't have somebody who was a miserable failure and somebody at the other ends who was an extreme success. You don't have those comparatives; all you've got is the comparative for the money for a certain function within that facility: Sunnybrook, a university like Laurentian, wherever it might be. You don't have the specifics, because you're not comparing the actual activities, responsibilities, salaries, for everybody in the same unit, even though they may be smaller. Do you see what I'm getting at? Program effectiveness.

Mr Peters: You're raising a number of very interesting questions. Let me try to answer them. Let me just walk you very quickly through the audit process.

We do a survey of the particular program. That's why, for example, in the Ministry of Health you would find today we'd looked at the ambulance services, as one program.

But we develop the audit criteria, that is, the benchmarks or criteria against which we audit, at the outset of the audit. We agree on those with the management. It's their own criteria. It's criteria that we have from international standards or wherever these things are developed. That's why, for example, when we did the ambulances, we looked at response times for code 4s, standards set in other jurisdictions etc. "How do we compare? How we know we're doing well?" That's really the

question we're asking. "What criteria are you using that this program or this particular unit, the pediatrics unit, is managed well? How do you know that?" We develop from that our audit program and then we do the actual testing, how we perform against those criteria agreed upon between the management and ourselves in that particular program. And the report that results from that is what you'll see. So we give you a fairly good snapshot of the performance of this particular program. What you're getting at in many respects is something that is currently under development—and we are helping in that development—and that is performance reporting by management itself on its program performance, unit performance, whichever segment they choose to perform on.

Mr Hastings: Whatever facility.

Mr Peters: Or facility, or whatever they have to perform. That is actually a by-product that virtually almost goes by the wayside. But when you look at, for example, questions that were raised today on response times and other things, that will then spawn in the ministry initiatives to look at those. The ministry will say in their response, "Yes, we're now going to look at response times. We are going to make them consistent. We are going to look at whether critical bypass is really an appropriate measurement or whether there are other measurements that should be carried out." That is what I call the intangible and that's why I can't give you dollar values for this. But this is what has happened in virtually every audit that we have done on value for money. It has focused management on performance, and that I think is what you want and we want. What we are saying in this Audit Act amendment is that this is one way of making the transfer payment recipients focus on performance.

I would like performance management in the whole system. I agree with you, Mr Sampson, that it should not be an abdication. There should be performance management of every program, of everything we do for the taxpayer, whether we deliver the program ourselves as a ministry, whether we're using outsourcing or whether we're using a transfer payment partner to deliver the program.

Mr Hastings: So conceptually we may be a little ahead of the curve. It'll take probably another decade then, you're thinking, to instill this performance culture, standards, benchmarks, into management of all these ministries and agencies? Because you can only do certain things at certain times when you look at specific programs, right?

Mr Peters: For the sake of the taxpayer, I hope it happens a darned time sooner. All I'm saying to you is that from my perspective as the auditor—

Mr Hastings: You see it.

Mr Peters: I can see it happening and I can see it getting a better push if I can look at performance information other than financial performance information in transfer payment organizations. That's all I want in my proposal under the Audit Act.

Mr Hastings: Does that mean then that if you were hiring anybody you'd need to have some people in place who are more than just CAs, CGAs; that you'd need efficiency experts from industry? Do you need that kind of capability?

Mr Peters: From time to time only, because very often we rely on—we do it in ministry programs already. Why I'm mentioning, for example, the Bruce deal is that I don't have anybody on staff—and they're very rare and few and far between—who can actually assess a nuclear plant, who can say, "Is this place doing well? Are things going right?" There are certain specialities where I need that outside advice, but normally we have relied on the expertise from the ministries and the auditees, because very often—well, you heard from the answers today. The people definitely gave the impression that they were on top of the situation. They were maybe not getting things done as quickly as we all want them to do but at least they were doing things and they had started to have a direction and knew where they were going.

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Ms Mushinski: I think of Agricorp, and I wonder why you can't do what it is that you want to do now.

Mr Peters: Agricorp I can do. I can do value-for-money audits.

Ms Mushinski: That's not considered a transfer agency?

Mr Peters: No, it's not a transfer partner. The transfer partner is normally an organization that is not owned by us; it's owned by others. It has its independent board of directors, like a hospital would have, for example, or others. Agricorp is a crown-controlled—it's an agency of the crown. Those I can do.

Ms Mushinski: So the Bruce nuclear plant you couldn't do?

Mr Peters: No, then I can do—

Ms Mushinski: And Pickering.

Mr Peters: —because OPG is now fully owned by the Ontario government. It's wholly owned by the taxpayers of the province.

Ms Mushinski: So really, then, the things you can't do are those that may well be funded by the provincial taxpayer but not owned by the provincial taxpayer. That's what you're saying, essentially.

Mr Peters: That is one distinction, but John just made a very valid point to me. If it's merely crown-controlled, there would also be a concern that I could only do value-for-money audits based on instructions from you, and deal with it in some other way. Crown-controlled I can't, but I can do it with an agency like Agricorp. For example, we did a value-for-money audit two years ago of the LCBO. Again, there we can do it. It is the ownership structure of the unit that drives this.

The Chair: I think if you look at this list, it pretty well indicates the type of organizations where you don't have the power now.

Mr Peters: That's right, yes. Long-term-care facilities, I don't; children's aid societies, I don't; hospitals, universities, colleges, school boards, I don't. Some of the

organizations involved in—well, some are direct payments, like—

Interjection.

Mr Peters: Yes, that's the point. These organizations are not controlled by the government, but they are spending our money on our behalf.

Ms Mushinski: So the governance structures of these organizations—and there's a whole myriad of them. I'm thinking non-profit, for example.

Mr Peters: Over 10,000.

Ms Mushinski: Yes, there are thousands if you look at Comsoc, for example. But surely there is some requirement under the bylaws of these organizations, which usually have community boards—you mentioned children's aid societies, for example, and there's a whole string, I would think, of local organizations that stem from the children's aid societies. Is there not some sort of overarching provincial requirement for them to spend taxpayers' money prudently, and how is that enshrined within the bylaws of all of those thousands of organizations out there?

Mr Peters: What we found, for example—Comsoc is a very good example. About two years ago, I believe, in 1998, we did an audit of transfer payment accountability within Comsoc, where we looked at the organization. They spend about \$2.1 billion on about 3,400 organizations in that alone. It seems to be in a constant flux as to what the role of the director is. We made a recommendation outright as to, if we fund the organizations, does the government actually have a responsibility to do something about director orientation, training, advising members of boards of directors what they ought to be doing?

Ms Mushinski: Liability is another example.

Mr Peters: Liability was, of course, the first one that came to mind, but most of the time there is an indemnity provision that they're indemnified right off the bat.

Governance and accountability is certainly one area that I have been trying to pursue directly with organizations. I make presentations to universities' chairs on governance and accountability and to various other organizations, the Canadian Mental Health Association etc, on this particular issue, but that is almost like a hobby. That is almost outside my mandate, just something I do.

Ms Mushinski: Non-profit work that you do for a non-profit organization.

Mr Peters: That's about the size of it. I'm delighted to do it, I should add. But there is no overarching, as you put it, assurance that there is value for money. What is happening is that the ministries are actually left to some sort of contractual or budgetary arrangement with these organizations. For example, they have a budget stream where they say, "We'll give you so much money," and then there is an accountability back as to how they spend it. But, for example, what we found in Comsoc is that the reliance is entirely on financial statements. Very often they are big organizations and they don't identify, to come back to Mr Hastings's example, individual programs. For example, many of these financial statements

will not identify the individual programs that were actually funded by the government.

In another situation, we found that they deliberately overstated the budgetary requirement. We found one organization that squirreled away \$1.5 million because they wanted a new capital facility and they knew they wouldn't get it from the government, so they overstated their operating requirements, created a fund and then built it.

Ms Mushinski: Municipalities have been doing that for years.

Mr Peters: Yes, I know. We found one that had the same road under construction for 20 years, actually funding the salting and—

Mr Sampson: It wasn't Kingston, was it?

The Chair: That will be stricken off the record.

Mr Peters: I don't name names.

Mr Sampson: The John Gerretsen freeway. Is that the one?

Mr Peters: I hope that answers your question, but that's really the best I can do. I can only come forward and say, "Look." I would much rather have a sound accountability framework in place, but since that is a long-term process, if I can give it a push through amending the Audit Act in this way, I urge you, let's give it that push.

Mr Crozier: My comments will be relatively brief because if you were to go back a few years when I was on this committee—and besides, I want to get on the record that I want to get out of here and go see my brand new first grandchild.

Interjections.

Mr Crozier: You were mentioning hospitals. Our daughter's at Women's College.

Interjections.

Mr Crozier: A girl, Emma Claire, yesterday afternoon at about this time.

Mr Sampson: So get out of here, go.

Mr Crozier: Yes. But when you mentioned hospitals, one of the best has got to be Women's College Hospital.

Anyway, my comments are on the record from several years ago when I was on this committee. I've been a supporter of the Provincial Auditor, Mr Peters, and his staff when it comes to value-for-money audits. I am certainly a believer in them. I just want to point out that, in my view, the Provincial Auditor holds a unique position, as does the Auditor General of Canada—and somewhat to Mr Sampson's comment about, couldn't some of these organizations have value-for-money audits? They very well could, but the Provincial Auditor, in this case, holds a unique position in our democratic and accountable system. I therefore think there is definitely a role for the Provincial Auditor to play vis-à-vis private auditing firms.

So I hope that this committee supports those amendments. It would appear as though we have supported them in the past. Interestingly enough, it even appears as though the government accepts that recommendation but, for whatever reason, there has always been foot-dragging on this. I would just hope that this government, which

has at least a couple of years left in its mandate, accepts that this committee supports the recommendations—

Ms Mushinski: Minimum.

Mr Crozier: If that's the case, then all the more reason why you should want to be accountable to the public, and this is one way you can do it.

The point is, I support the Provincial Auditor and I hope this committee does as well.

The Chair: Can we get the actual amendments—this gets back to something Mr Sampson raised right at the very beginning—so that at least the committee could take a look at the actual amendments?

Mr Sampson: Yes, I think, Mr Chair and Mr Peters, you should take it that we are extremely interested as a government in getting value for the taxpayers on money that's being spent. I think the point I was trying to make is that I'm not too sure we've got stage one sufficiently done to unleash stage two, which would be the role of the Provincial Auditor to make sure things happen. Having said that, I think your point about having a stick hanging around would be helpful in getting finished with stage one. That's a very valid point.

I think it would be helpful, Chair, if the amendments were brought forward again to the committee, that another approach be made, certainly by your office to the Minister of Finance, Mr Flaherty, to see if he has a renewed interest in this, and to start to flesh out how those roles should be struck between your office and the responsibilities that I would see, frankly, of the people we write the cheques to to spend the money properly. I really want to make sure we've got that working first. Maybe we need the stick, but in the absence of that I can just see a ton of people saying, "I'm only here to count

beans, not to make sure they are beans as opposed to carrots or whatever." That's a terrible analogy but I'll use it.

Is that helpful to you, sir?

Mr Peters: I'd be glad to provide these proposed amendments. There are some updates in it. The fundamental document is four years old. One of the issues we raised, for example, and it's of interest to another committee at the moment which is involved in that, is the access to health records. For that, I voluntarily arranged for the privacy commissioner to actually draft the provisions that you find in here. They were drafted by the privacy commissioner.

Mr Sampson: The other thing that concerns me, as well—I'll just interject—is that I wouldn't want to get 7,000 transfer payment agencies developing 14,000 different ways to approach value-for-money audits. That scares me a bit. As you probably know, they can be designed to get the results you want to get, as part of the design process as opposed to part of the result process. I would be really worried about each group going off on its own and establishing its own criteria. So maybe there's a role to be played by your office in establishing those fundamental criteria as to what value-for-money audit means, so we don't get those 14,000 different versions, which would be, frankly, worse than what we've got now, which is nothing.

Mr Peters: That's an educational aspect. It's very much a part of it.

The Chair: Thank you very much. We stand adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 1524.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 22 February 2001

Journal des débats (Hansard)

Jeudi 22 février 2001

Standing committee on public accounts

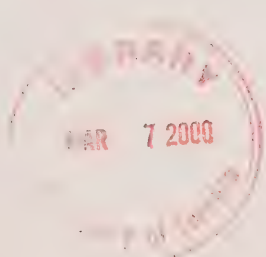
Special Report,
Provincial Auditor:
Ministry of Correctional Services

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Published by the Legislative Assembly of Ontario



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Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 22 February 2001

Jeudi 22 février 2001

*The committee met at 1043 in room 228.*SPECIAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF CORRECTIONAL SERVICES

Consideration of section 3.04, institutional services and young offender operations.

The Chair (Mr John Gerretsen): I'd like to call the meeting to order. Welcome to everybody here this morning.

I noticed, Mr Deputy, that you have a prepared statement. Did you want to make that statement first, while we're waiting for the minister? Did I understand you correctly, that the minister is expected to be here this morning?

Mr Morris Zbar: Yes, it's my understanding that the minister will be joining us. I believe he would like to say something first, and then I'd be happy to make my statement, if that's OK.

The Chair: OK. I'm going to ask the indulgence of the committee, then, since we're starting somewhat late, that perhaps this morning's session can go until 12:30, if that's all right.

Mr Peter Kormos (Niagara Centre): Agreed.

The Chair: That will allow the minister and the ministry to make their presentation. Then we'll still have three 20-minute rounds for each caucus. Is that agreeable?

Mr Mario Sergio (York West): Mr Chair, I see we're coming back at 1:30. So if it's over at 12:30 we can still be back at 1:30.

The Chair: We can still come back at 1:30. I'm sure it won't take more than that.

Good morning, Minister. It's a pleasure to have you here this morning. We are not normally graced by the presence of a minister of the crown at this humble committee process, but we're glad you're here.

Hon Norman W. Sterling (Minister of Consumer and Business Services, Minister of Correctional Services): Good morning. Thank you very much, Mr Chairman. As you know, I have only recently been given this opportunity to be the minister of corrections and I, quite frankly, don't know how long I will hold that post, but we shall see.

I thought I would just make a few opening remarks before my deputy, Morris Zbar, who is sitting to my left,

carries on. No doubt he will be able to more specifically answer your questions with regard to the auditor's report.

One of the things I have found since I have been appointed as Minister of Correctional Services is that I have gained a greater understanding of the difficult job that our correctional staff have across this province. I have read many of their letters to me as the minister, their e-mails, and have really been impressed with their commitment to corrections and their hard work and the difficult task they have in delivering this essential service that we have in our province.

I would like to say to this committee that I am truly excited about the transformation of our correctional system into one that's safe, efficient, effective and publicly accountable. Reforms are long overdue in this particular area of our jurisdiction. If we look back over the last 30, 40 or 50 years, little has been done to try to consolidate, update, rebuild, deal with the many small and outdated prisons that we have had across our province.

I must, however, emphasize that I am dismayed at how expensive it is to run our jails. The per diem rate in 1999-2000 is \$140 per bed in our adult institutions. What is truly surprising is just how much the older institutions cost the taxpayers of the province. The Sault Ste Marie jail, for instance, has a per diem rate of \$226.10 for each inmate each day. On the other hand, the Toronto West Detention Centre costs the taxpayers only \$85.27 per day per inmate.

The Provincial Auditor has written in his report that our correctional system is plagued with chronic absenteeism. The average number of sick days for correctional staff is about 20 per year. The average number of sick days for the Ontario public service is about 10 days per year. While every institution is different and of course there are different factors with regard to absenteeism, it is a problem more at some jails than at others. For instance, the Burtch Correctional Centre has an average number of sick days of almost 21. The small Walkerton jail has an average number of sick days of about nine.

This absenteeism must stop. We must make better use of the taxpayers' money. The ministry will take measures to address this problem. I am heartened to know that the ministry will publish the average number of sick days for each institution on a regular basis. This way, the public will have the opportunity to view for themselves the performance of their local jail.

I am pleased about the ministry's attempts to secure private sector partners for the delivery of correctional services. If the public sector enjoys a monopoly for correctional services, there is little incentive for innovation. By introducing the discipline of the market, I believe the public system will improve too. The competition between the publicly and privately operated jails will ultimately be good for the staff. Through competition, we will introduce a sense of mission to encourage the creativity of correctional staff.

1050

As you may be aware, the Penetang jail, which is being built at the present time and is near completion, and the Lindsay jail, which is I believe about halfway completed at this point in time, are identical institutions. One will be run by the private sector and one will be run in the public sector. It will be the perfect opportunity for us to compare the success of each institution and compare what is in the interests of the taxpayer. With regard to the Penetanguishene jail, at this point the pre-qualified bidders should be well on their way to developing their bids that meet or exceed our ministry's high and tough standards. I am proud that this government, unlike many governments of the past, is finally addressing the challenges of delivering correctional services in a modern age.

I apologize that I will not be able to stay very long, but I know Mr Zbar, my deputy, will be in a position to answer your questions. Before I go, I would entertain some generic questions of some nature if you have them, but I only have a very short period of time because I'm in another committee of cabinet at this time.

The Chair: That's unfortunate. We were going to give you all the time to answer all the questions that the members would have.

Does the committee agree that we will allow each caucus five minutes to question the minister on his statement? Is that agreeable?

Mr Bart Maves (Niagara Falls): Agreed.

Mr Kormos: No, it's not agreed.

Ms Marilyn Mushinski (Scarborough Centre): But you'll live with it anyway, right? How many minutes do you want?

Mr Kormos: I don't want to ask the minister questions. He's here for five minutes for each caucus; far more important is to be able to talk to the bureaucrats.

The Chair: All right. There will be no questions, then. Thank you very much for your presence here today, Mr Sterling. Have a good day.

Deputy Zbar, the media has left; the floor is yours.

Mr Sergio: Mr Chair, if I may, I have a motion to present to the committee. May I be advised when it's the appropriate time to introduce it?

The Chair: I would suggest that if there is a motion, we deal with it before our adjournment at the end of this morning.

Mr Sergio: Fine. Then I will be more than pleased to introduce it now, Chair.

The Chair: Now?

Mr Raminder Gill (Bramalea-Gore-Malton-Springdale): He said at the end.

Mr Sergio: At the end? OK, that's fine.

The Chair: Mr Deputy, go ahead.

Mr Zbar: Good morning and thank you very much. I'm going to introduce my senior team. They will be up here helping me answer questions. One of them has just left the room, so I'll wait until he returns and I'll continue with my remarks and introduce them at the end.

Oh, you're back. I'd like to introduce John Rabeau, who is the assistant deputy minister for adult institutions; Deborah Newman, who is the assistant deputy minister for community and young offender services—

The Chair: Excuse me for a moment. Yes, Mr Maves?

Mr Maves: We were just conferring. Why don't we have that motion introduced now so that between now and the end of the day, at lunch and whatever, we can have an opportunity to look at it and look into it?

The Chair: Fine. Will you read the motion in, and then we'll have copies of it produced.

Mr Sergio: This motion actually was introduced yesterday by our colleague Mrs McLeod and it was defeated yesterday by the committee. Subsequent to that, the Premier did indicate, when he was questioned on this same motion, that he would have no problem to look at it and have it introduced and have it approved. Therefore I'm going to make my motion now.

I move that the Provincial Auditor be asked to investigate the value-for-money aspects of the decision by Cancer Care Ontario to provide after-hours radiation therapy through a private clinic rather than in-house.

The Chair: The motion is out of order since the exact same motion was dealt with yesterday.

Mr Sergio: Mr Chair, the Premier has no problem in looking at this motion, so I would ask the indulgence of the Chair and the members of the committee to accept the motion.

The Chair: Unless there is unanimous consent—

Mr Sergio: I would request unanimous consent.

The Chair: Is there unanimous consent?

I heard a no, so there is no unanimous consent. That particular motion, since it is exactly the same as yesterday's motion, is out of order.

Mrs Lyn McLeod (Thunder Bay-Atikokan): May I ask, Mr Chair, does that mean that a motion dealing with a similar topic and the same intent would be substantially the same?

The Chair: There has to be a substantive change.

Mrs McLeod: Then in terms of the Premier's response yesterday, I'm just surprised that there was a no. I would have thought that the government members of the committee would have wanted to entertain this motion, given the Premier's obvious enthusiasm to have value-for-money audits done in a circumstance like this. He made that quite clear this morning. That was why the motion was being reintroduced. I'm not sure whether government members might want to be asked for unanimous consent again later in the morning, after

they've had a chance to determine whether or not it's government policy to deny value-for-money audits.

Mr Gill: Chair, I'm just going by what you had said, that this motion was dealt with yesterday. But we might be willing to reconsider it, if you allow us to put it on the table again. I'm just going by what you said, that this was an identical motion, which was dealt with and defeated yesterday.

The Chair: The committee can do whatever it wants by unanimous consent. I asked before if there was unanimous consent to allow the motion to be dealt with today and there was not.

Mr Sergio: The motion, the way it stands, is not based on the comments of our member across the room here, it is based on the fact that the Premier himself yesterday, subsequent to the introduction of the motion and defeat of the same, did express willingness and support for the motion. Therefore, we thought it would be more than appropriate to reintroduce the motion. Ms McLeod, unfortunately, does not have voting rights, so she cannot introduce the motion. I'm doing that on her behalf to give the opportunity to the members and the Premier to look into this matter accordingly. Again, based on the information coming across from the government side, I'm willing to reintroduce the motion and hopefully have the vote reconsidered and allow not only the members of this committee, but the Premier, to really look into the depth of the motion.

Mr Maves: The Premier is not on the committee.

Mr Sergio: I can appreciate that.

The Chair: I will ask again, is there unanimous consent for this motion to be dealt with?

Mr Kormos: Agreed.

The Chair: I didn't hear a dissent that time, so the motion will be dealt with. I suggest that we deal with it at 12:20.

Ms Mushinski: I'm sorry, Mr Chair, but it was my understanding that this committee was going to be meeting until 12 today, and there isn't any opportunity for me to be here at 12:30; I have a long-standing commitment at 12 until 1:30. So I'm wondering if we can possibly deal with it prior to 12.

The Chair: OK, we can deal with it now, if you'd like to have a discussion.

Mr Maves: Not only that, Chair, but when I requested initially that he introduce the motion now, I also said that we could deal with it at the end of the day; we'd have lunchtime to consider the motion.

The Chair: All right, we can deal with it at the end of the day, then. I'm at your disposal.

Mr Sergio: Do you consider 12:30 the end of the day, or 1:30?

Mr Maves: No.

The Chair: No, these hearings go on in the morning and in the afternoon, depending upon how many corrections delegations there are presently in front of us. At the end of that process, I am suggesting that the motion be dealt with.

Mr Kormos: Mr Chair, this bickering is really generating high anxiety. I'm having a hard time dealing with it.

The Chair: We don't want to give you any anxiety attacks or anything like that, so we'll now listen to the deputy and we'll deal with this motion later on today.

Mrs McLeod: Is the committee sitting until 12:30 this morning?

The Chair: This morning the committee is sitting till 12:30, by unanimous consent earlier, and we'll come back at 1:30 to conclude the rest of the day.

OK, Mr Deputy.

Mr Zbar: Thank you very much. I think I got as far as introducing John Rabeau. Deborah Newman is the assistant director of community and young offender services. She just joined us from our Kingston regional office a short while ago. Brian Low is the executive lead of our alternate service delivery. They'll be joining me up here as soon as I'm finished my comments, to provide further—

The Chair: They can join you right now, if they so wish. It's entirely up to them and you.

Mr Zbar: Thank you.

I'd like to begin by saying that our ministry is undergoing unprecedented change through our transformation strategy; the minister referred to it. Our correctional system is being transformed into one that achieves improved results, increased public safety, more secure and efficient institutions, greater accountability and lower re-offending rates. As always, public safety and the enhancement of public safety is the government's and the ministry's number one priority. The government is committed to creating a results-based, efficient correctional system that spends taxpayers' dollars more effectively.

1100

A number of initiatives are underway to help us achieve these transformational goals. I need to stress to you that, as the minister mentioned, the change that we're undergoing in corrections is major. It's on all fronts, it's very complex and it's going to take time. But the changes in part were precipitated by the auditor's remarks in 1995 or so, when he spoke about the expense of the system and about trying to get costs into line. That was one of the reasons for initiating some of this change.

Under the infrastructure renewal project, or IRP, the ministry is replacing and updating what are considered to be some of the oldest and most inefficient facilities in the country. The government is also making both institutional and community settings safer for our staff by introducing a zero tolerance policy for violence against correctional staff.

Another initiative, the new earned remission program, will make inmates accountable for their actions by requiring them to earn their remission by actively participating in work and rehabilitation programs and by abiding by institutional rules.

Also linked to offender accountability is the introduction of a drug and alcohol testing program. Offenders both in institutional and in community settings will be

required to submit to random drug and alcohol tests to ensure that they are complying with institutional rules or release conditions.

The ministry is also in the process of establishing a dedicated system for young offenders, which includes transferring young offenders currently residing in facilities shared by adults to facilities solely for young offenders. This dedicated system will focus on specific programming, with a dawn-to-dusk approach that will apply strict discipline measures for youth to achieve better results in correcting unlawful and antisocial behaviour.

The ministry is also working on many community-based improvements and, as a result of last year's budget announcement, is now in the process of hiring an additional 165 probation and parole officers. This is part of our community strict discipline approach, and these probation and parole officers will provide more frequent and intensive monitoring of offenders serving their sentences in the community.

I'll speak more about these and other initiatives in a few minutes, but first I'd like to provide a brief overview of the correctional services in this province.

As I've mentioned, the government's top priority is public safety. The preservation and enhancement of public safety is paramount in all of the ministry's planning and decision-making. That being said, ministry staff perform a very complex and difficult role as the custodians of the province's correctional system.

The ministry's mandate is to supervise the detention and release of inmates, parolees, probationers and young offenders within an environment designed to encourage changes in behaviour through the appropriate balance between punishment and rehabilitation to reduce the likelihood of reoffending. To facilitate these changes in behaviour, the ministry provides supervision, training, treatment and related services designed to create opportunities for successful personal and social readjustment in the community.

I'd like to refer you to the quick facts attachment included in your package that we provided. It gives you some of our operational data, and I'll just review a few of the numbers.

In terms of numbers, over the past year, on any given day, there were approximately 73,000 people under the supervision of the ministry. That's on any given day. This number includes the approximately 7,400 adult inmates and 700 young offenders in the province's correctional institutions. To better understand the current correctional system, it is important to note that approximately 88% of our offenders are sentenced to community supervision, and only 12% of offenders are incarcerated.

On the adult side, the ministry has custody of adult offenders sentenced to terms of two years less a day, accused persons on remand awaiting trial or sentencing, persons held for immigration hearings and deportation and persons awaiting transfers to federal prisons to serve sentences of two years or more. The average length of sentence in Ontario for adults is 83 days for male

offenders and 52 days for female offenders. The average length of stay for remanded offenders is 27 days.

In the community, the ministry is responsible for supervising all adult offenders who are on probation, conditional sentence or provincial parole. The average probation order for adults is 492 days, or approximately a year and a half.

The ministry also supervises young offenders between 16 and 17 years of age, the majority of whom are involved with the correctional system for up to three years. The average length of a secure-custody order is 91 days for males and 52 days for females. The average length of open-custody order is 86 days for males and 69 days for females.

The remaining young offenders are supervised in the community while on probation or alternative measures, such as community service or restitution. The average length of community supervision for young offenders is about 15 months.

You'll recall that one of the ministry's goals is to effect changes in behaviours through supervision and by providing training, treatment and related services. With relatively short terms of incarceration, it's a challenge to be able to impart positive behavioural changes through programming for inmates. That is why some of the recently announced initiatives, such as the new earned remission program, are so important.

The government introduced the new earned remission program as part of Bill 144, the Corrections Accountability Act. As I mentioned, offenders will now have to earn the privilege of early release by actively participating in rehabilitation programs and demonstrating positive behaviour, instead of being automatically credited with remission for early release. Inmates will not earn remission or will lose remission already earned by failing or refusing to actively participate in treatment or work programs, violating the zero tolerance policy for violence against correctional staff, failing to demonstrate that they are drug- and alcohol-free, or failing to meet standards for positive behaviour. Essentially, the new earned remission program will encourage positive behaviour in inmates by providing the incentive for them to gain the skills that will help them reintegrate into the community upon release.

Other components of this act include: implementing random drug and alcohol testing for offenders both in institutions and in the community; reconstituting the Ontario Board of Parole into the Ontario Parole and Earned Release Board—the authority responsible for making all conditional release decisions except administrative temporary releases, such as attending a medical appointment; establishing a clear accountability framework for all public-private partnerships for the delivery of correctional services; and creating local boards of monitors, with members appointed from the local community, for Ontario's correctional institutions.

The drug and alcohol testing component of this bill will also work to address safety concerns both in institutional and community settings, and help to identify

offenders in need of assistance with substance abuse problems. Substance abuse is a known factor contributing toward criminal behaviour. In Ontario, about 80% of adult inmates sentenced to incarceration in provincial correctional institutions and about 60% of adult offenders serving sentences in the community are found to have some degree—and I stress “some degree”—of alcohol or drug dependency. Drug and alcohol testing within Ontario’s correctional system will provide the ministry with the tools to respond to problems related to alcohol and illegal drug use, and to hold offenders accountable for their behaviour.

Under Bill 171, the Victim Empowerment Act, the government introduced several initiatives to strengthen the rights of victims within the provincial correctional system. If passed, this bill would: allow greater participation of victims in parole hearings; introduce a process to monitor, intercept or block communications between inmates and others where it is reasonable for safety and security of other persons and institutions—this, by the way, is done in other jurisdictions, including the federal correctional system; introduce grooming and appearance standards for inmates serving sentences in correctional institutions relevant to security, health and safety issues; and introduce standards of professional ethics for all staff involved in providing correctional services, whether employed by public or private operators.

Another important government commitment is to modernize the province’s correctional system, which falls under the infrastructure renewal project that I mentioned earlier. The IRP involves expansion and security upgrade projects and the construction of a number of new correctional institutions to replace aging facilities. These projects will help transform an outdated correctional system, with facilities that predate Confederation, to one that is safe, secure, effective, efficient and accountable. They will also create a better regional balance in the delivery of programs across the province.

A key aspect of the modernization is the introduction of a new design for our facilities. The ministry looked at correctional facilities in many jurisdictions worldwide. The result is a made-in-Ontario design that will create a safer environment for both staff and inmates. This will be achieved through improved sight lines, restricted inmate movement and the introduction of advanced security technology.

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The various initiatives I’ve outlined for you illustrate the magnitude of change that our ministry is undergoing. This change will have many benefits, both in the near and distant future. Ontario’s correctional system truly is in the process of transformation to a modernized system, and there are costs related to the extensive changes that are underway. However, the ministry is continually working to manage operating expenses.

One of the ministry’s most problematic issues is the cost associated with staff absenteeism and overtime. The ministry is very concerned with absenteeism and is implementing a number of initiatives to address attendance

problems. The ministry is currently reviewing attendance records of individuals with excessive absenteeism and considering appropriate action. In addition, a new unit has been created within the ministry’s human resources branch specifically for case management. The ministry is also assessing the tracking and reporting features available through the new Workforce Information Network system to enable the most efficient collection and reporting of attendance data.

Building on the success of our public-private partnerships in delivering correctional services such as those for open-custody residences, the province is continuing to pursue partnership opportunities with public and private service agencies. These partnerships will assist the ministry to deliver the most safe, secure, efficient, effective and accountable service to the people of Ontario. Introducing partnerships into the system will help the province’s correctional services to achieve improved results and to reach a proper balance of detention, correction, and accountability. The province believes that both public and private operators of jails can produce acceptable results provided the focus of the operation is on delivering these results.

Public safety is our top priority, and all correctional facilities, whether publicly or privately run, will be required to meet the same high standards for safety, security and efficiency.

Public accountability is of great importance to the ministry. To that end, as part of Bill 144, the ministry will be introducing local boards of monitors for all of the province’s correctional institutions. The boards of monitors, whose members will be appointed by the government, will have three main functions.

The first is to act as independent observers of the day-to-day operation of the institution. Board members will help evaluate and monitor the provision of adequate care, supervision and programs for offenders in accordance with stated safety and security standards, and approved regulations and procedures.

The second is to provide a link between the community and the institution. Members will be able to educate the public about corrections and to address public concerns. They will also provide management with a community perspective on institutional decisions.

The third is to provide advice on the operation of the correctional facility and the impact on the community. Board members will fulfill this role by regularly visiting the institution, sitting in on programs, and meeting with management, staff and offenders.

The last item I would like to address is that of treatment programs. It is estimated that 15% to 20% of the inmate population suffer from some form of mental health problem. Therefore, the provision of appropriate treatment programs is a significant requirement for the ministry.

The government will be placing correctional and treatment facilities in the same location to enhance operational efficiencies, reduce the need to transfer offenders between facilities and make better use of the professional

services available. By locating correctional and mental health forensic services in the same place, the Ministry of Correctional Services and the Ministry of Health will both realize operational cost savings. These savings will be reinvested in establishing safe, secure mental health facilities for offenders with serious mental disorders, whose needs will be better served by these new facilities.

The government will be constructing two state-of-the-art facilities in Brockville and North Bay to accommodate and treat offenders with mental health problems. For the Brockville facility, the ministry is partnering with the Royal Ottawa Hospital for the delivery of treatment and forensic psychiatry services. These projects will result in a significant increase in the number of adult treatment beds.

Offenders under community supervision are referred to the appropriate community resources for the delivery of mental health treatment, and their progress is monitored. The additional probation and parole officers being hired by the ministry will be able to provide more frequent and intensive supervision of offenders serving sentences in the community. This intensive supervision will be especially important with certain types of offenders, including those with specific mental health problems.

The province is continually looking at ways to deliver the safest, most secure, effective, cost-efficient and accountable correctional system possible. The ministry has a difficult and complex business to run, with many competing priorities and many challenges. However, public safety will always be our top priority. The transformation strategy is leading toward a more modern, efficient and effective system that is safer for both the public and our staff, and also our offenders.

The new programs aimed at making offenders more accountable for their actions will work toward better preparing offenders for reintegration into the community through work and rehab programs. Smoother reintegration of offenders into the community will lead to lower reoffending rates.

Of course, giving victims a stronger voice and protecting victims of crime are of great importance to the government and the ministry. Together with our justice sector partners, the Ministry of Correctional Services is working to better integrate the services and programs provided to victims of crime. The ministry's role is to protect and support victims while holding offenders accountable for their conduct. Initiatives include improved services to victims of domestic violence through implementation of the May-Iles jury recommendations and proposed legislation to allow for greater victim participation in the parole process.

Victims of crime are also provided with a victim support line, VSL, and a victim notification system, VNS. This VNS provides registered victims with automated telephone notification of any changes in an offender's release status. It also advises of upcoming parole hearings, allowing victims to express their concerns or provide any information they feel is relevant.

I hope in my brief comments I've been able to provide you with a sense of the magnitude and scope of change that our ministry is undergoing and our commitment to continuous improvement. We will now make an effort to address any questions the committee may have.

I'll stop, but I just want to make one more brief comment. We have approximately 7,500 staff. They are very dedicated people. They work extremely hard under very difficult circumstances. What we're trying to do is create an environment that will support our staff and therefore provide better service to the province and to the people in the province. Thank you.

The Chair: Thank you very much, Deputy. We will now have questioning, starting with the Liberal caucus.

Mr Sergio: Mr Chair, how much time do we have per caucus?

The Chair: I suggest 25 minutes per caucus. That will take us right to 12:30.

Mr Sergio: Thank you very much for appearing before the committee, Mr Zbar, with members. I'll have a few questions with respect to safety and accountability, including the economy and efficiency within the system.

My first one to you is that the average daily inmate count, and that goes for both youth and adults, dropped between 1996 and 1997 by some 6%, but the operating expenses have not come down accordingly. As a matter of fact, they have gone up by some 19% between 1995-96 and 1998-99 or 1999-2000. Can you give us a reasonable explanation of the stage where we are now and why it is that we have, I would say, a reasonably sharp drop in the average number of inmates but the expenses have gone up dramatically since 1995? Why is that?

Mr Zbar: I'd be pleased to try and give you an answer that I hope you find suitable. There is no question that we have an expensive correctional adult institutional system especially. That was pointed out in the provincial audit of 1995. In fact, we are the second highest in terms of per diem in the country, after Newfoundland. That's why we're modernizing our correctional system, that's why we're building our new facilities, to bring the costs down. If we don't, the cost drivers in terms of old, inefficient jails are extremely high, and the only way to deal with that is to create operating efficiencies. That's what we're in the process of doing.

As you know, the new facilities are not on line yet. They'll be coming on line very shortly: Penetanguishene in the summer, Lindsay the following spring, and Maplehurst, which is a major retrofit, in the next couple of months. It's at that time that we hope to see the per diems start to come down.

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I just want to speak about the last five years, the time that the auditor looked at this. Part of the costs were also created by unique circumstances and one-time events. For example, the 1996 OPSEU strike led to a tremendous amount of overtime for management and others, and that was a blip. The grievance arbitration decisions we've had over the last few years have increased our costs by

millions. The community escort policy that went to arbitration and was ruled on has cost us millions of dollars. There's been a tremendous increase in health care expenses related to our treatment of offenders due to new treatments and increased medical problems in terms of AIDS and other diseases that are cost drivers, and of course negotiated increases to salaries. If you remove that from the basic operating, we actually feel that over the five years, the percentage increase has been about 11.3%, which is still over the consumer price index of 9.8%. But those are some of the reasons, those cost escalators.

Mr Sergio: Perhaps with the exception of the problem associated with the strike, I believe the expenses on a daily basis are the same throughout the country, which makes our per diem expenses much higher than in the rest of Canada, than facilities in many other provinces.

You mentioned the facility in Penetanguishene. I believe in 1998 there was a report to privatize, not to go along with that facility. Is it still your view that that facility should not go ahead with and be privatized?

Mr Zbar: I'm going to ask Brian.

Mr Brian Low: I'm Brian Low. I'm the executive lead, alternative service delivery.

If I understand your question correctly, you are asking the reason for the decision to proceed to select a private operator for the site at Penetanguishene?

Mr Sergio: Partly that and partly the report from Mr Peters, I believe, not favouring to proceed with that particular facility. Are you still of that opinion?

Mr Low: We're certainly of the opinion that—we are in the process of completing the construction there. There was a decision to not go forward with a “design, build and operate” by the private sector at that time. It was felt that at that time the government, the ministry, would construct the site and at the completion would then consider the option of entering into an agreement with a private sector operator for a period of time. That would allow the ministry to enter into a private sector agreement for a shorter period of time in terms of just a contract of purchasing service for the operation that would allow us to compare the efficiency and effectiveness of operating with a partner from the private sector.

Mr Sergio: I have a number of questions. I'll be jumping from one place to another, so Mr Zbar or whoever may want to answer.

I believe Ontario is one of the Canadian provinces with the lowest number of inmates being transferred from a security facility into another institution. Why is it that Ontario has one of the lowest placements from such a facility into another institution? Why do we have such a very low record?

Mr Zbar: I'm not sure I'm understanding the question.

Mr Sergio: From a prison into another institution: move those inmates from that particular place, from such a sterile environment, if you will, into an institution closer to the community. Even Quebec has a very high percentage of moving inmates from the institution to other facilities in the community.

Mr Zbar: Let me begin by reminding you that 88% of our offenders are in fact in the community, so what you're referring to is the 12% who are incarcerated. Again, let me remind you that the average length of stay for adult males—and I'll deal with adult males—is approximately 87 days. What we try to do in those 87 days is get them stabilized, provide some assessment and try and find some integration strategies to bring them back into the community. We're not talking about long-term offenders here; we're talking about short-term offenders. We use risk assessment tools and, when appropriate, we do in fact use temporary absence programs. I don't know if you're suggesting that we should be using more of them, but the fact is, based on our assessment criteria, based on the risk tools that we use, we're comfortable with the fact that we're releasing the appropriate number on temporary absence and ensuring that we maintain public safety. Again, I remind you that we are talking about very short-term-sentence offenders; you know, 87 days.

Mr Sergio: Out of the 47 correctional institutions that we now have, 60% have or have had security non-compliance problems. A lot of them have gone on, unrectified, for over a two-year period. To your knowledge, have they been rectified? What action have you been taking and what system do you have in place to monitor that indeed those measures are now being adhered to?

Mr Zbar: I'm going to ask John Rabeau, who is the assistant deputy minister for adult institutions, to respond to you on that.

Mr Sergio: Give everybody a chance. Good.

Mr John Rabeau: We have a number of ways of looking at our security requirements within our institutions. In fact, we are enhancing our monitoring of adherence to standards. We have had self-administered workbooks that superintendents use to check the security requirements within the institutions, but within those workbooks there are a number of operational requirements outlined as well. So our problems with regard to compliance to procedures are not all security issues; they are operational issues as well.

We are enhancing our look at the security side—there's an annual review in each institution on the security requirements—and developing further tools to ensure that shortfalls that are identified in those reviews are fixed in the year in which they are identified.

Mr Sergio: So have those 60% non-compliants been looked at? Have they been rectified now?

Mr Rabeau: We are reviewing each of our institutions yearly, Mr Sergio.

Mr Sergio: A further question. The auditor's report states that sick days for correctional staff increased from 12 days in 1995 to 16 days in 1998, which now represents an increase in spending of some 11.1%, to \$16.5 million. In the private sector, an increase of six days might be blamed on poor management or bad working conditions. What is the ministry doing to address the situation, taking into account the health and welfare of

facility. That certainly is not based on our original assumption of operating eight hours a day, five days per week. That would be going to a second shift, operating 16 hours a day, five days a week or some interim solution of 10 or 12 hours a day, five days a week.

Mr Peters: That would include operating the water-chilling facility for these extended hours, because it struck us that that was the bottleneck at the time we looked at it; it could only be operated for eight to 12 hours a day.

Mr Jensen: We've had various different opinions from consultants on that. What I'm giving you is the best advice we've had from those consultants, who obviously know more about that than we do.

The Chair: Mr Kormos.

Mr Kormos: Thank you, people. You're here knowing that this committee is concerning itself with the auditor's report, and obviously you've come armed with your briefing materials, anticipating questions. Is that a fair observation?

Mr Zbar: So far.

Mr Kormos: And you're using those briefing materials to respond to the questions that are being put to you?

Mr Zbar: That's a fair assumption.

Mr Kormos: Then may I request, Chair, that those same briefing materials be tabled with the committee? It would make it so much easier.

The Chair: We can request that the briefing materials be tabled with the committee, but we cannot compel them to do that.

Mr Kormos: I understand: a right without a remedy.

The Chair: Your request has been noted, and if the ministry feels so inclined they can table it.

Mr Kormos: On the Penetanguishene-Lindsay jail proposals, I understand it was a precondition by Management Board that an RFQ be issued before those be embarked on. Am I correct in that?

Mr Low: Are we speaking about the construction now?

Mr Kormos: Yes, before either project was commenced in terms of turning sod.

Mr Zbar: I'll ask Kurt Jensen to come back.

Mr Jensen: As part of the construction for Penetang and Lindsay, there was an RFQ that was initiated—actually there were two RFQs initiated. There was one to identify an architectural firm that would work with us in the design of those facilities, and that also included the Maplehurst complex, and there was a subsequent RFQ issued for each of those three projects which was to shortlist a number of general contractors who would subsequently bid on the construction of those facilities.

Mr Kormos: I understand that, but based on the auditor's report, I'm left with the impression that Management Board had required as a precondition, with the anticipation that these were both going to be private sector operators, that an RFQ—is the auditor wrong? He doesn't mind being told he's wrong. Is he wrong in his observation that "as part of exploring alternative service

delivery options, in August 1996, Management Board directed the ministry to prepare a[n] ... RFQ for the two new facilities"?

Mr Jensen: When we went to Management Board, they asked us to explore the feasibility of the private sector being involved in the construction or operation of one or more of these projects. I don't remember asking them that they specify Penetang and Lindsay. They asked that we consider the use of partnering with the private sector in some fashion. They didn't give us directions as to exactly how that was going to take place; they said we should explore that feasibility.

Mr Kormos: The auditor's report similarly says that the ministry's response to the issue, as raised by the auditor, was "that the RFQ was never prepared due to time constraints...." Is the auditor correct in that observation?

Mr Jensen: The ministry proceeded in that manner by having a number of meetings with interested private sector companies. They were invited to come and express to us how they felt or what questions they had or what they would like to see or where they thought they might fit in in delivering a correctional service in the province of Ontario.

Mr Kormos: I'm reading page 78 of the auditor's report where the auditor reports, "The ministry informed us that the RFQ was never prepared due to time constraints...." The auditor acknowledges being advised that they met with members of the private sector consortium, but I want to know if that's correct, that the ministry advised the auditor that you never prepared an RFQ due to time constraints.

Mr Jensen: I'm not aware of us saying that we didn't do that because of time constraints.

Mr Kormos: Do you know who would have given that information to the auditor that he included in his report?

Mr Zbar: Mr Jensen is saying that he is not aware of whom, so if you're asking the question, we will try and find that answer.

Mr Kormos: Please, because I understand that an RFQ eventually was issued with respect to Penetanguishene in terms of operators.

Mr Low: That's correct. In terms of the operation and the opportunity for partnering with a private sector operator for the operation and for that portion of the business, yes, a request for qualification was issued.

Mr Kormos: Who were the interested private sector consortia that were met with in lieu of the RFQ for the construction of the Penetanguishene and Lindsay operations?

Mr Jensen: You mean the firms?

Mr Kormos: Yes.

Mr Jensen: If I recollect, there was Group Four, Wackenhut security, Management and Training Corp, and Corrections Corp of America. I think those were the four that came to see us.

Mr Kormos: Were minutes kept of those meetings?

Mr Jensen: Yes, there were.

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Mr Kormos: Did those meetings impact on the decisions to utilize private sector versus public sector in the Penetanguishene and Lindsay operations?

Mr Jensen: The result of those meetings were quite different from the RFQ process that's being undertaken at the current time. We found out a number of things as a result of those meetings. This was very early on in the project as we went through the Management Board approval process. The indication was that at that time the private sector expressed a greater interest in operating facilities and in the finance of these facilities. That was the main theme that came out of those meetings.

Mr Kormos: We're told that in April 1997 the operational agreement for Project Turnaround was awarded to a private bidder and that three-year contract was entered into for \$8.3 million. That contract, I trust, was prepared by the ministry?

Mr Zbar: Deborah will answer that.

Ms Newman: Sorry, Mr Kormos. Your question was what was the value of the contract?

Mr Kormos: No, I'm talking about the preparation of the \$8.3-million contract for Project Turnaround that we're told was awarded in April 1997.

Ms Newman: I guess I'm not clear on what you're asking me.

Mr Kormos: The authorship of it. The contract was authored by the ministry.

Ms Newman: Yes, there was a contract prepared by the ministry and negotiated between the ministry and the private operator, Encourage Youth Corp.

Mr Kormos: That was subsequent to the RFP in February 1997?

Ms Newman: I wasn't present in the position at that time. Through the RFP process they were selected and then the contract would have been developed with deliverables based on the RFP.

Mr Kormos: The development of the contract was something that took place conjointly with ministry staff and with the private sector operators?

Ms Newman: That would be my understanding.

Mr Kormos: The contract was based on the requirements of the ministry in terms of minimum standards that were to take place or exist at Project Turnaround?

Ms Newman: That's correct.

Mr Kormos: The auditor tells us that subsequent to that contract an additional \$400,000 was paid to the operators of Project Turnaround. How did that happen?

Ms Newman: There was a review of security conducted by the ministry of Project Turnaround and it indicated that the security of the operation could be improved through the addition of one post, which was an eight-hour post, 24 hours a day, seven days a week. This resulted in a request to Encourage Youth Corp to add this post to improve the security of the operation. The \$400,000 payment covered the period from the time that post was added in December 1997 to July 2000, without penalty or interest. So it was not for a single contract

year. Once the contract was renegotiated, then the post was built into the contract in July 2000.

Mr Kormos: What prompted the review of security that resulted in that renegotiation?

Ms Newman: You may recall that there was an escape that happened from Project Turnaround that precipitated this and the security audit was conducted as a result of the escape of two young offenders from Project Turnaround.

Mr Kormos: We were told, as I recall, that the escape was a result of an electrical storm that had short-circuited some of the electrical security systems. Was that correct?

Ms Newman: In part, yes. There was a thunderstorm and lightning struck the building and short-circuited the electrical system, so that's correct, and it caused a malfunction to some of the fire doors of the facility. As a precautionary measure, vehicles were parked against those doors that were malfunctioning at the time. Two cadets were then able to force their way through these access doors because there wasn't a post that was providing continuous monitoring at that particular time. The young offenders were able to force their way through those malfunctioning doors into a compound area where they were able to hotwire a vehicle and crash the vehicle through the perimeter fence.

Mr Kormos: The auditor also notes that some \$24,000 per year had been overpaid to the contractor. How did that happen?

Ms Newman: That's correct. The ministry has undertaken to more closely monitor the contract from a financial perspective. The overpayment was a result of the contractor invoicing the ministry the same amount as a first invoice that they had delivered to us for the after-care portion of the program. That particular invoice, the first one, was for a three-month period rather than a two-month period, and then the error was propagated thereafter. They kept invoicing the ministry for the same amount of money, so subsequent invoices simply mirrored the first bill without an adjustment being made to reflect a two-month bill rather than the three-month bill. So the overpayment continued until the auditor discovered it, around August 1999. At that time the error was immediately corrected, the billing error was brought to the attention of the service provider and the entire overpayment amount of \$24,000 was recovered from the next invoice.

Mr Kormos: Earlier you talked about the minimum academic standards for probation officers. In the contract with the operators of Project Turnaround, what was the minimum training level or academic standard for staff they would be employing?

Ms Newman: This was simply a human error in financial—

Mr Kormos: No, no, I'm not concerned about that any more. You talked about the minimum academic requirements for new hires in the probation area. In the contract, what was the minimum academic or training standard for staff being utilized by the operators of Project Turnaround?

Ms Newman: The staff at Project Turnaround would be required to have the same academic standard as correctional officers in our public system, which is a grade 12 education.

Mr Kormos: And there was no prerequisite that they have any other training with respect to youth issues, rehabilitation issues or programming?

Ms Newman: I would have to go back and look at what those qualifications were, but I can tell you that the staff who work at Project Turnaround in fact do come with a variety of experience in working with young people in a social service area, and many of them actually have experience in corrections specifically.

Mr Kormos: I've spoken with a number of them, which makes me ask, are you aware that the operators of Project Turnaround engage in a profit-sharing relationship with their staff?

Ms Newman: That would be outside of any contractual arrangements we have with them.

Mr Kormos: Quite right, but do you know that to be the case, that they're motivating their staff with profit-sharing?

Ms Newman: I'm not able to verify that.

Mr Kormos: On the RFQ with respect to Penetanguishene and Lindsay, you also indicated that the—and again, this is where I'm a little confused, because the auditor reports that somebody told the auditor that it was time constraints that prevented you from obtaining the RFQ, but then there was further information that appears to have been given to the auditor to the effect that the reason for abandoning private sector financing and ownership of Penetanguishene and Lindsay was as a result of the meetings you had with the private sector consortium. That's consistent with what you told me earlier, isn't it, sir?

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Mr Jensen: That was certainly one of the reasons we chose not to go that way. At that time, through the development of the whole infrastructure on the old project, there were continuous meetings with staff at Management Board and staff at the Ministry of Finance, and one of the reasons that many jurisdictions had entered into the whole issue of finance, build, own and operate was because they didn't have the money to be able to finance large-scale capital projects.

It wasn't the opinion of the Ministry of Finance at that time that there were any savings to the province in using private sector money for the construction of the facility. As a matter of fact, there would have been a penalty of approximately 200 basis points had we used private sector funding, and in one way or another that gets paid, whether it's up front in capital or through operating costs at a later time.

The other reason that the ministry chose to proceed with using provincial funds to construct these projects was that it gave a significant amount of flexibility at a later time. The province would own those facilities. It wouldn't constrain us if we wanted to change—

Mr Kormos: And then if the private sector operation failed, you could take them back.

Mr Jensen: It would give us that larger amount of flexibility. It wouldn't tie us into a 15- or 20-year operating contract.

Mr Kormos: Right. But you did ultimately issue an RFQ for the operation of the Penetanguishene operation, and the RFQ is designed to find out who out there meets the qualification standards for operating. Isn't that what an RFQ is?

Mr Jensen: Yes.

Mr Kormos: And what was the response to your RFQ, request for qualifications, with respect to private sector operators of Penetanguishene?

Mr Jensen: I'm going to have to defer to Brian, because the infrastructure renewal project grew to the point where—

Mr Kormos: Fair enough; go ahead.

Mr Low: With respect to the request for qualifications that was issued last summer, there was a response from a number of interested proponents, and those qualifications were subsequently evaluated to determine from that who the qualified bidders would be, who would then be invited to submit a proposal for the operation.

Mr Kormos: How many submissions were made?

Mr Low: As part of the process and right from the outset of the process, it was determined that the number and the identity of the proponents would not be identified at this time, in keeping with what would be a fair and competitive process. That information will be released at the end of the entire process.

Mr Kormos: What percentage of submitters failed to meet the qualifications?

Mr Low: That as well—

Mr Kormos: It doesn't involve numbers; that's a mere percentage.

Mr Low: I understand that, but that all comes from the numbers, and our advice is that we should not enter into talking about, at this time, who either did or did not qualify, or the proportion. But we will be pleased to release that later.

Mr Kormos: Were there submissions made by companies other than companies based in Canada?

Mr Low: Yes, I can say that there were submissions that were multi-jurisdictional.

Mr Kormos: Were the Canadian submissions qualified?

Mr Low: That then begins to identify proponents, so I'm afraid that at this point in time I'm not able to respond to that question.

Mr Kormos: Were the multi-jurisdictional or the not exclusively Canadian jurisdiction companies similarly among the group that were qualified?

Mr Low: I'm sorry. I'm going to appear evasive, but at the same time, to indicate from what jurisdiction parties did or did not qualify would begin to lead toward identification of numbers or names.

Mr Kormos: We've heard reports that there were no qualified Canadian companies. Are those reports accurate?

Mr Low: I've indeed read those same reports and I do not know where that information would come from, so—

Mr Kormos: Somewhere in the ministry.

Mr Low: I don't believe that the reports I've read have in fact come from—

Mr Kormos: Even Harris couldn't get 12 people together without one rat.

Mr Low: I think the reports I've read in fact have not emanated from the ministry, certainly if we're looking at the same information. Those are rumours, and I can't respond to those.

Mr Kormos: What was the perspective of recognizing that some operators—Wackenhut, Group Four, you said, among others—were engaging in conversations, discussions, meetings with the ministry in lieu of an RFQ? Those conversations clearly influenced the ministry's decision about whether or not to require private sector operator financing of the operation. What was the check and balance in terms of the RFQ for operators vis-à-vis the fact that some of those same potential operators may have influenced the government or the ministry's decision to abandon private sector participation in the construction and financing of the institutions? What was done to isolate the people the ministry consulted in these meetings in lieu of an RFQ? What was done to isolate those meetings with the RFQ which eventually went out?

Mr Low: Before an RFQ, and in the process of developing the RFQ, we had the opportunity to make a decision that we would go forward in looking at a partnership with the private sector. So we looked at a variety of jurisdictions, we visited and, in fact, during that process we had the opportunity to speak with various operators, both public and private sector. That's something that would inform us as to what we would be looking for in terms of criteria.

Once the process began and once the RFQ was developed and issued, then there was a very strict process in terms of communication, influence and conflict of interest. At that stage there is a very disciplined process in terms of the ability of proponents to submit their expressions of interest. But certainly prior to that, in order to establish what will be the very best ultimate product, we would indeed speak with both the jurisdictions that hold contracts with private sector and operate public sector and as well then come back and in some cases speak to both private and public sector operators.

Mr Kormos: With respect to Project Turnaround, the operators of Project Turnaround who came to the table with you to negotiate the contract held themselves out to have experience and expertise in the operation of this type of secure facility?

Ms Newman: I assume that was one of the rating factors.

Mr Kormos: In developing the contract, the ministry relied upon them as well as its own resources to deter-

mine standards or levels of staffing for the purpose of security. That's not unfair, is it?

Ms Newman: I think the ministry set the standards with respect to the operation of the institution, and that would then have been evaluated through the RFP process.

Mr Kormos: Clearly you're suggesting that there were egress doors, more than one, that were unmonitored in the original proposal in terms of staffing or monitoring. Am I getting that correct?

Ms Newman: There needed to be subsequent security enhancements to be able to provide continuous monitoring of all those doors. So initially—

Mr Kormos: But that means there were egress doors that weren't being monitored in the staffing level or staffing component in the original contract.

Ms Newman: They were being monitored, but there was no capacity for continuous monitoring.

Mr Kormos: No, they were being checked once an hour or once every 45 minutes.

Ms Newman: They would have been checked continuously 16 hours a day and then for the rest of the time through regular checks.

Mr Kormos: The solution was to use cameras and put a staff person on to monitor these doors?

Ms Newman: There were also physical security enhancements made to the building itself.

Mr Kormos: But I'm interested in the \$400,000, appreciating that that's over a period of time from December 1997 to July 2000. That \$400,000, you suggested, was the staffing cost. Was that staff person monitoring a video screen that uses camera surveillance?

Ms Newman: That's correct.

Mr Kormos: That's one staff person?

Ms Newman: No, this is a continuous control-module post. In other words, it's now staffed continuously, 24 hours a day, seven days a week.

Mr Kormos: Do you mean it's a central monitoring post with surveillance cameras throughout the institution?

Ms Newman: That's right.

Mr Kormos: Hadn't that been included as part of the original agreement?

Ms Newman: No, as part of the original agreement it was envisioned that what we refer to as dynamic security would have been sufficient and that staff interaction—relationship custody—with youth was the primary means of providing security. It was intended to be an interactive type of model, and it still is, but it needed to be enhanced.

Mr Kormos: It was sort of like, if you develop a good enough rapport with this youngster, he'll let you know before he tries to leave.

Ms Newman: I'm sorry, I didn't catch all that.

The Chair: OK, we'll have to leave it at that. The government.

Mr Maves: Chair, I'm going to start, and then I think Mr Gill has a quick question.

I want to pick up Mr Kormos's line of questioning with regard to Project Turnaround. You had that escape

in 1997 when it opened. How many have you had subsequently from Project Turnaround?

Ms Newman: We've had no further escapes.

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Mr Maves: In that same time period, how many escapes have we had from the other publicly run facilities?

Ms Newman: In 1999-2000, we had four escapes from our facilities, and in 1998-99, we had six escapes.

Mr Maves: And 1997-98? Do you have a number for that?

Ms Newman: Sorry. In 1998-99, we had six escapes across our system; in 1999-2000, we had four; in the year to date, we've had no escapes.

Mr Maves: Do you have a number for 1997-98?

Ms Newman: I do have those records, if you can bear with me for a moment.

I can go back as far as 1991-92 if you like.

Mr Maves: Just 1997-98, for comparison.

Ms Newman: In 1996-97, there were five escapes across the system. In 1997-98, there were three.

Mr Maves: OK. That gives me 18 since Project Turnaround was opened. One of those was from Project Turnaround, and the rest would be from publicly run facilities?

Ms Newman: That's correct.

Mr Maves: One of the things the auditor talked about in his 1993 report and again in this report was the very high cost to our system of adult facilities and our youth facilities. How do Project Turnaround's costs compare to some of our other facilities?

Mr Zbar: I'll ask Ms Newman to give you the per diems on our YO facilities if that would be helpful.

Mr Maves: That would be fine.

Ms Newman: Certainly. In fact, the per diem rate for Project Turnaround is the lowest of our youth centre per diem rates, at \$213.86. Our Bluewater Youth Centre in Goderich has the highest per diem at \$423.61. Brookside Youth Centre in Cobourg is \$331.71. Cecil Facer Youth Centre in Sudbury is \$303.

Mr Maves: That's good. So there's a substantial difference between our publicly run facilities and Project Turnaround. Are we doing anything to try to reduce some of the costs at some of those facilities? From the numbers you gave me, Bluewater, for instance, is double what Project Turnaround is. Is there any opportunity for us to reduce the cost of running some of those institutions?

Ms Newman: We are trying to operate those institutions as efficiently as possible, and we are piloting further strict-discipline programs in two of our public sector facilities now, at Brookside Youth Centre in Cobourg and at Bluewater Youth Centre in Goderich, because clearly those are cost-effective and highly accountable operations.

The per diem at Bluewater is particularly high because we are also housing phase 1 young offenders on behalf of the Ministry of Community and Social Services, and the staffing ratios and standards contribute to those costs.

Mr Maves: So Project Turnaround, as far as escapes, is really doing quite well compared to some of our other

facilities. On costs, they're doing better than all our facilities. Have you been measuring the outcomes? The most important outcome in the system is obviously going to be recidivism and whether kids are actually turned around. How is Project Turnaround doing compared to some of our other facilities?

Ms Newman: We have conducted a number of evaluations of Project Turnaround, and they've been very promising. An evaluation of Project Turnaround was conducted by Dr Don Andrews and associates in 1998 and 1999 on three separate occasions, and an instrument called the correctional program assessment inventory was used to assess whether the Project Turnaround program was aligned with what we know leads to successful correctional outcomes; in other words, reduced reoffending, reduced criminal thinking, better management of anger and substance abuse issues, and so on. Project Turnaround's program was found to be well-aligned with best practices in youth corrections for lowering reoffending rates. The importance of the after-care component of the program was also identified in the Andrews report. Overall, Project Turnaround was given one of the highest ratings in the history of these correctional program assessment inventory projects. I would comment that there are several hundred such programs that have been evaluated across Canada—that is, youth corrections programs—the United States and New Zealand, and Turnaround has had the highest ratings in their inventory.

Dr Doris MacKenzie from the University of Maryland also conducted a study that compared boot camps and traditional correctional facilities for young offenders across North America. She compared 25 so-called boot camps with 25 traditional youth correctional facilities, mainly in the United States and in Canada. Project Turnaround participated, as did one of our public sector youth centres. The environment and the daily activities and the perceptions of young offenders and staff were contrasted between the two types of programs. It was one of the first big studies of the differences between the two types of programs. She found that the boot camps were seen to provide more activity, control, caring, programming and structure, and that the structure contributed to perceptions by both staff and residence of increased safety. Staff reported an increased morale and an increased investment in their work.

The ministry also requested the London Family Court Clinic to conduct a review of the literature, with a view to identifying for young offenders the best practices in correctional programming and implementation, and their review indicated that the rehabilitative programming at Project Turnaround was consistent with the best-practice literature, indicating promising approaches to reducing reoffending.

Finally, an additional evaluation of Project Turnaround and its effectiveness is expected to be finalized in the near future, but preliminary reports with respect to this particular study have indicated positive results. In particular, the studies will show that Project Turnaround participants reoffend at a lower rate than the comparison

group of young offenders, and will also provide evidence of reduction in criminal thinking and better anger management and problem-solving skills, more pro-social attitudes and other gains.

Mr Maves: Can I just ask you to go back to the first one, because that was intriguing; the "correctional program inventory," you called it. You were saying it had one of the highest ratings ever received. That's an inventory done by Dr Don Andrews, you said?

Ms Newman: Yes. Dr Don Andrews and associates.

Mr Maves: In his inventory, over how many years, roughly, has he been doing that assessment and out of how many assessments would he have done where we finish with one of the highest rankings ever?

Ms Newman: He has been doing it for a number of years. I'm not sure of the exact number of years, but I am advised that there are literally hundreds of assessments that have been done using that instrument, the CPAI, and that Turnaround had one of the highest ratings ever.

Mr Maves: Have any of our publicly owned and operated institutions ever taken part in that?

Ms Newman: We haven't used the CPAI in our publicly operated institutions, but we are planning to introduce it within this next fiscal year to public sector facilities as well.

Mr Maves: OK, Chair, I'll turn it over to Mr Gill, but I may come back, if I have any time.

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Mr Gill: This morning the minister did a comparison of the two facilities. He mentioned Sault Ste Marie at \$226 per diem versus Toronto West at \$85 per diem. That's quite a difference. Would you like to comment on that?

Mr Rabeau: The facility in the Soo is a relatively old building, quite divided up in terms of living spaces, so the requirement for staff there in terms of size compared to the Metro west facility is much greater, and that contributes to the high per diem cost. Metro west is a newer institution. We have done some recent retrofits there that allow us to supervise inmates with a much smaller staff. It's a much larger facility than the Soo with somewhere around 600 inmates, so it runs relatively economically because of that. Design particularly drives our costs.

Mr Gill: We were looking at the auditor's report where they have compared the different provinces, and the lowest one seemed to be Alberta at \$83 per day. Therefore, Toronto West is as efficient, then, as Alberta rates. Is that what you're saying?

Mr Rabeau: Yes, Toronto West is, I think, our most efficient institution in the province. It would compare to Alberta, and the institutions there tend to be newer and of the same age as Metro west.

Mr Gill: One of the things the minister also mentioned was chronic absenteeism, compared to some of the other government services. What are the steps being taken perhaps to address that?

Mr Rabeau: The government generally about three years ago introduced a program to help reduce attendance

problems across the government. The program had some fairly considerable success in every ministry except the ministry of corrections, where our attendance, in fact, is getting worse every year. In part, as I mentioned earlier, I think the type of work is certainly one of the reasons why our attendance is problematic. We've found that certainly at the Ministry of Health and at the Ministry of Community and Social Services, which also have institutions, the attendance is similar to ours.

We are trying to do a number of things to address the problem. We've entered into some discussions with the union to try to engage them in helping us deal with this issue. We are introducing work in our institutions to really look at ways of improving the environment there. There is a lot of uncertainty in our workplace and in part, that is not something that we control until we get to a mature system. We're closing a number of our smaller institutions over the next couple of years, and until we get certainty in terms of where people will be going to work, we're feeling that uncertainty is driving a lot of our problems.

We have instituted a couple of organizational units that are really focused on trying to deal with this problem, assisting managers in dealing with attendance problems and getting a better track and control of when we should be intervening with an individual who starts exhibiting problems and when we might have to take further steps to deal with that issue.

Mr Gill: I know you mentioned that it sort of seems like it's an inherent problem, part of the job—not absenteeism as part of the job, but because of the nature of the job, you say the absenteeism is higher. It seems to have gone up since 1995, from 11.7 days to 16. There's a progression and it's not only because of the nature of the job, I suppose. I know you've been talking to the union. Do you have a handle on why it's gone up?

Mr Rabeau: We think the biggest reason is because of the uncertainty in the workplace with the transition of our organization. That appears to be the variable here that would be different than in 1995.

Mr Gill: In a way, if the absenteeism is higher, the cost goes up and there's more incentive to make a change.

Mr Rabeau: Absolutely.

Mr Gill: Whatever the tactics are, it goes against what they are thinking.

Mr Rabeau: That's correct. We estimate the cost of our sick time is between \$15 million and \$20 million a year. Certainly that drives our per diem costs higher. In part, I think the sense we would have in terms of a competitive market is that people might understand that high sick time might drive us out of business.

Mr Gill: Is there a comparison to other places where the so-called privatization has happened in terms of the cost in a private institution versus a public institution?

Mr Low: Perhaps I could respond to that. Certainly when we've looked at other jurisdictions where there are private sector operators alongside public sector, we have seen two things over a longer period of time. Initially

there appears to be a tremendous difference in terms of things like both cost and attendance, and also achievement of performance outcomes. So when we look at attendance, we can see that initially the attendance ratings for a private sector operator are often much better than in the public sector. What we have seen in those jurisdictions over time, as was mentioned earlier, and I believe you mentioned it as well, is that the competitive environment is there in terms of the marketplace, and the public sector is shown to improve both in areas of attendance and operation but in overall performance as well. So we do see a difference, and I would say that over time we see a narrowing of the difference because of a marked improvement within the public sector as it operates in the same jurisdiction as the private sector operator.

Mr Gill: I know we talked about an overrun in terms of one of the percentages, in Milton perhaps, from \$5 million to \$9 million or from \$9.5 million to \$11.7 million.

Mr Zbar: That's the cook-chill you're referring to.

Mr Gill: Yes. Was the cook-chill not factored in initially?

Mr Zbar: I'll ask Mr Jensen to come back.

Mr Jensen: The total budget for the Maplehurst project was some \$89.9 million, and part of the cost associated with that was in fact the cook-chill kitchen.

Mr Gill: So cook-chill was factored in?

Mr Jensen: Yes.

Mr Gill: But you found that it was going to be more than estimated?

Mr Jensen: We had both an escalation in the cost of construction and a subsequent escalation in the cost of equipment. As we took the project further along, we did a more detailed analysis. The further along you take your construction documents, the more the cost consultants can put an exact price to it. That did lead to an increase in the projected cost from \$9.5 million to \$11.3 million for a combination of the cost of the cook-chill factory itself, the equipment to run the cook-chill factory, and the construction and equipment for the receiving kitchens at Penetang and Lindsay.

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The Chair: Any other questions?

Mr Sergio: Just one quick one. Perhaps I missed this in the presentation. Just for clarification, if I may, and I thank you for the time, I have a question with respect to the offenders housed at Camp Turnaround. Are they violent or more violent offenders? Do they have more special needs than others housed at other facilities? If so, does this influence the difference in the cost that we see in the various facilities?

Ms Newman: The selection of the young offenders for Project Turnaround tends to be young offenders with a higher risk to reoffend. Project Turnaround can accommodate up to 32 such young offenders. What we're finding is that we have a better rate of success with the higher-risk offenders in this particular environment, and that's what we expect our evaluation to show.

Mr Sergio: Are you saying that, let's say, the worst offenders are being directed to public facilities?

Ms Newman: We have 700 young offenders in custody in the system at any given time, and 32 of those go to Project Turnaround. So there are certainly many high-risk young offenders across the system, and we would have some diverted to Project Turnaround and some would be in our public sector institutions.

Mr Sergio: The choosing for this is done by you people?

Ms Newman: Yes. Our institutions make referrals to Project Turnaround and the youth also elect to go to Project Turnaround voluntarily.

The Chair: Are there any further questions that anyone has? If not, it will not be necessary for the ministry to come back this afternoon. Thank you very much for attending here today.

Before you leave, however, the auditor wanted to make some comments that came as a result of some of the government members' questions, so why don't we deal with that now.

Mr Peters: Yes, some of the other questions. One question was raised as to why the RFQ was not issued due to time constraints. We have the name of a ministry person who told us that. Rather than dealing with it in that way and putting an individual's name forward, I wonder if it would be to the satisfaction of the committee if I referred you to page 79 of our report, in which we said that the release of a request for RFQ could result in significant time delays caused by union grievances, because that was in the official submission by the ministry in terms of explaining the RFQ. The concern was that if an RFQ went out, there could be significant time delays, and those were the time constraints that were being referred to.

Mr Kormos: Is Mr Peters suggesting this as a way we can reconcile it?

Mr Peters: No, I'm providing this to you by way of an explanation. You asked, how did we find out? Rather than dealing with an individual who told us, I would refer you to page 79, where the source of our information is actually a submission by the ministry. So rather than naming names, I'm giving you the cause as to why this was given.

Mr Kormos: My difficulty with that is that I read mixed messages. Perhaps it's my misreading, perhaps I'm in error again, but I read mixed messages in the auditor's report. I appreciate that the time constraints could include, among other things, inter alia, the concern about grievances, but then I get the impression from the message here that there was a conscious decision made not to proceed with it as a result of the discussions with Group Four, Wackenhut etc.

Mr Peters: That we can reconcile as well. The request to issue RFQs was made in 1996 by the Management Board of Cabinet when they approved the \$270 million. There is indeed a question as to why an RFQ was not issued for the two years between 1996 and 1998. The answer that was given in 1998 as to why it could cause

time delays was because it could be caused by significant union grievances. I hope that answers your question.

Mr Kormos: It does. At least, you don't know whether Management Board gave, let's say, dispensation?

Mr Peters: We know they didn't, that at least—

The Chair: Does this relate to this issue?

Mr Sergio: No. Just one last quick, short question.

To carry on with some of the changes and improvements which you have mentioned and answer some of the questions in your brief here, it takes money. We have just had the Premier saying at his caucus that other than health and education, every other budget is going to be cut. Can you tell us how you're going to carry on some of those programs if indeed your department budget is going to be facing cuts?

Mr Zbar: I'm not going to speculate on whether it's going to be cut or not. I will say we are going through the business planning and allocation process and we have made our submissions based on the plan that we have in place for the transformation of corrections. Obviously, if conditions change, we'll have to make adjustments. The plan is based on certain assumptions and certain projections of growth and certain building schedules. If the fiscal situation changes, we'll obviously have to review our plan. But the government is committed to proceeding with the transformation of corrections.

The Chair: Thank you very much for attending here today.

Since we're not coming back this afternoon, what's your wish with respect to the motion? I recognize Mr Maves.

Mr Maves: Chair, I'd like to move that the committee defer consideration of the motion until a future meeting, the date to be agreed upon by the subcommittee. I can speak to it if you'd like.

The Chair: Could you hold that motion just so we hear what the comments are?

Mr Maves: OK.

The Chair: Thank you. Mr Sergio?

Mr Sergio: I have no problem. I think the committee has already decided to deal with the motion at the end of our business day here, so I think there is no other motion other than to debate my motion.

The Chair: With all due respect, it was agreed that the motion will be dealt with; however, a subsequent motion to defer—

Mr Kormos: On a point of order, Mr Chair: That, in effect, sir, was the equivalent of a time allocation. The committee agreed that the motion would be dealt with. They effectively deferred the motion and, in the same spirit as a time allocation, they determined that that motion would be dealt with at the end of business today. That suggests to me that any motion that would obstruct that is not in order.

The Chair: I am ruling that a motion to defer the motion to some subsequent date is always in order on the motion that is made.

Mr Maves: I'd be happy to speak to it. As a regular member of the committee on public accounts, we have several times had discussions about—

The Chair: Excuse me for just a second. Could you carry on your discussions outside the room, please. We're still in committee right now.

Mr Maves: We've several times had discussions about motions that the committee passed asking the auditor to do certain value-for-money audits. There are a lot of things that go forward in that debate. For instance, if the committee is going to decide to start recommending to the auditor to do certain audits, there may be 100 other things that the committee might want to request the auditor to go and audit, and this request by Mrs McLeod may very well be one of them.

There are all kinds of other motions that have been made in the past for the auditor to go out and do audits. We've had lots of debate time around that, because it raises certain questions such as, if the auditor goes and does this audit that the committee directs him to do, what audits will he not do in that particular year? Will there be increased dollars that we're going to have to give to the auditor's office in order for them to do that audit? So there is a whole variety of questions and we've had the debate several times with the regular members of committee.

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So this may very well be one that the committee will ultimately decide we would like the auditor to do. However, I think that our preference is that we have the full committee, the regular members of the committee, get together and sit down and decide that if indeed we're going to request the auditor to do a specific audit, what other potential ideas does the committee have about things they might want the auditor to go out and audit? That's why I've made the motion to defer, because I think we've had the discussion many times before about moving motions from the floor, the committee asking the auditor to do a specific audit. I would rather have that fulsome discussion with the regular members of the committee so that we could entertain other ideas that other committee members have.

The Chair: I'll recognize Ms McLeod in a second. Just so that we know what we're talking about, there was unanimous consent—there was not a motion—to have it dealt with at the end of the day. It was by unanimous consent that it was agreed upon. But then a motion to defer that particular question is always in order. So we're debating that now and so now I recognize Ms McLeod.

Mrs McLeod: I fully respect the fact that the motion to defer is in order. What it is is a very obvious attempt to just kind of sweep this under the carpet and hope that it never comes back when anybody's noticing. I don't suspect that there are many situations in which a committee would have given unanimous consent to reconsider a motion which was defeated by the government members yesterday. I fully recognize that this committee, sitting in due session, defeated this same motion yesterday.

The reason the committee agreed earlier today to reconsider the motion was because of the equally unusual situation of having the Premier on the front page of the paper today saying he would welcome a value-for-money audit of the decision by Cancer Care Ontario to pay a private company to run an after-hours radiation clinic at Toronto-Sunnybrook Regional Cancer Centre. This is a quote from the Premier: "We have no objection. In fact, we like full audits of everything that we're doing ... and we consider the auditor an ally." I'm sorry to quote the last part, because I'm not sure the Provincial Auditor would see himself as an ally of government as opposed to an independent officer of the Legislative Assembly. So let me assure you, Mr Peters, I see you as an independent officer of the Legislative Assembly. But the message from the Premier was abundantly clear on an issue of major public policy.

There are enormous concerns right now about whether or not this government is bound and determined to privatize a host of areas. You've just spent several hours with a focus on privatization in the correctional system, as I understand it. We are concerned about whether or not there is an increasing move to private delivery of health care.

The question challenges, I recognize, a basic assumption of whether or not it is cost-effective or cost-efficient or in the patient interest to have publicly paid-for services, administered by a public agency publicly funded by government, delivered by a private agency. That question is central to this government's entire direction.

For the Premier to say—and I thought it was laudable—that they are so convinced that this direction has merit that they're prepared to subject those decisions to a public audit—I think the government members would want to support the Premier in that, because failure to support that direction through the examination of a public audit into a specific decision that's come forward really challenges the government's whole ideological direction, in my view. I'm really surprised at the objection to this.

Mr Kormos: The motion to defer is puzzling and it's bothersome. Let me put one further to you, and that is that the decision being proposed could well be one that costs lives. It could well be one that results in either serious harm to people or in death to people. I agree with Ms McLeod and with the Premier that the auditor is well suited to assess the propriety of the proposal by the Premier. But I'm putting to you that efforts to delay this—and this motion to defer is nothing but an effort to delay it. The fact is that the committee will have to live with the decision made by the committee. We're not assured that the motion will pass or not pass. I think members of this committee—and am I a replacement member today? Yes, I am, but I'm prepared to accept my responsibilities and not shrug them off in view of the urgency around this matter where you're dealing with people's access and the risk of denying or inhibiting people's access to appropriate levels of health care. I'm concerned enough about the fact that that sort of move could well impact on people's health and their survival in

situations of medical crisis that I think it's imperative we vote on this today so that if the vote does pass, the auditor can get involved with it as promptly as possible.

The Chair: Any further discussion? Mr Maves and then Mr Sergio.

Mr Maves: Chair, quite frankly, as I said in my opening remarks, the contents of this particular motion are relevant to my decision to move a motion to defer. As a regular member of this committee—I think Mr Hastings, the Chair and I are the only members in the room who are regular members of this committee—we quite often have discussions about motions that have mostly been moved by the opposition about audits that they want to request the Provincial Auditor to do. We're happy to entertain those and we have lots of debate over that.

It raises several questions. If the committee is going to tell the auditor they want him to go do a particular audit or several particular audits, the auditor then has to drop audits that he has underway or the auditor has to come to the Legislature and ask for more money to do more audits. It's fine to consider that and we don't mind considering that, but we have to weigh all of these questions against all of the other value-for-money audits and a lot of other issues that committee members—Ms Martel, Mr Cleary, Mr Patten, and I believe other members—may want to put before the auditor. We may have other issues that we want to put before the auditor. So we've had these debates before. We could have just voted down the motion if we were worried about it or didn't want the auditor to do it. What we've done is, we're going to defer the motion to consideration at another time in public committee. So we're happy to consider the motion, but we're going to do it at a later time.

Mr Sergio: Mr Chairman, it doesn't happen very often that we have the Premier agreeing with some ideas put forward by a member of the opposition. I was delighted to introduce the motion on behalf of Mrs McLeod. Health issues, you would think, are a concern of every member of the House, including the members in this particular committee here today. I'm sure they are. I'm sure that they have all the goodwill with respect to seeing this through. You would think that if the Premier says, "I would welcome an audit by our mutual friend Mr Erik Peters, that he conduct an audit on this particular issue," which is a major issue, the members would say, "You know what? Even though we are in this particular situation, the Premier said yes, he would welcome an audit, so let's go ahead with it."

Having said that, if indeed there is a concern that this may cost a lot of time and a lot of money, extra time and extra money, for Mr Peters's office, then I would say to the members of the committee, let's debate it if you want or let's say to Mr Peters, "OK, we'd like to take this motion into consideration and direct you, Mr Peters, to report back to us if indeed there is a cost associated with conducting such an audit."

Let me add, Mr Chairman, that if indeed there is any cost, we are talking about conducting clinics, radiation

for cancer treatment here at home versus the millions of dollars which we are wasting sending patients out of our own country. I believe that if indeed there is a minimum cost, it would be worthwhile to find out the cost associated with doing it in-house versus a private facility.

I am begging the members of this committee on the government side to say, "OK, maybe we should debate it further. Maybe we should have something ourselves attached to it. So let's find out from Mr Peters if indeed there is any additional cost to conduct such an audit." I think the minimum thing we should be doing as responsible members is to say, "Well, hold it a second here. We don't want to go full-fledged according to what our Premier has said, that he'd welcome an audit, but at least let's give the auditor a chance to say, 'Yes, it costs a few dollars,' 'No, it doesn't cost money,' or 'I could do it in-house.'" I think we owe that to Mrs McLeod, who so thoughtfully has brought the motion to our attention here, and to the people out there who would like to know if there is such a cost.

I'm making a further amendment then, Mr Chair, if it's appropriate, that we ask Mr Peters to report back to the committee if there is a cost associated to conducting such an audit.

The Chair: No, the amendment has to be to Mr Maves's motion. Mr Maves's motion is a motion to defer so that the subcommittee can deal with the matter. I believe that's what you said.

Mr Kormos: The question, Mr Chair.

The Chair: That the question be put?

Mr Kormos: Yes.

The Chair: Is that correct? OK. I've got a request that the question be put now. No further debate.

All those in favour of the motion to defer?

Mr Kormos: A recorded vote, please.

Ayes

Gill, Hastings, Maves.

Nays

Kormos, Sergio.

Mr Sergio: You have a vote too, Mr Chairman, don't you?

The Chair: Only in a tie. Unless it's two and a half to two and a half, I can't vote. So the motion is carried; it is deferred. What I will try to do, since we're meeting next week, is get the subcommittee together next week to deal with this matter, and there are a couple of other issues as well that the subcommittee should be dealing with.

With that, the committee is adjourned for today.

The committee adjourned at 1252.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Monday 26 February 2001

Journal des débats (Hansard)

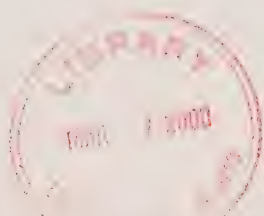
Lundi 26 février 2001

Standing committee on public accounts

Special report,
Provincial Auditor:
Ministry of Consumer
and Commercial Relations

Comité permanent des comptes publics

Rapport spécial,
Vérificateur provincial:
Ministère de la Consommation
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Monday 26 February 2001

Lundi 26 février 2001

*The committee met at 1033 in room 151.*SPECIAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF CONSUMER
AND COMMERCIAL RELATIONS

Consideration of section 3.03, project to automate the land registration system (Polaris).

The Chair (Mr John Gerretsen): I'd like to call this committee meeting to order. Welcome, everybody. Today we're dealing with section 3.03 of the 2000 special report of the Provincial Auditor, the project to automate the land registration system, Polaris. We'll start off with a statement by the minister. Welcome, Minister. That's twice in two days that you're here.

Hon Norman W. Sterling (Minister of Consumer and Business Services, Minister of Correctional Services): I hope they don't give me another ministry.

Mr Chairman, thank you very much for the opportunity to say a few words. I have some prepared remarks, but before I go into those I should say that perhaps a sketch background of the registry system as I saw it prior to the automation or the digitalization of the land registry system would be helpful.

Back in the old days, when I practised law, before becoming a member of the provincial Parliament, there were basically three types of land registry systems in the province. In fact, they still remain but are much more compact at the present time due to the whole Polaris project.

The first and the oldest type of system that we had in Ontario was the land registry system, which essentially was a system inherited in its form, its rules and its law from Britain. That system was developed over an 800-year period, so when we started to set up our land registry offices we adopted a lot of the rules, the rights of easements, the rights of licences, the rights of fee simple, the rights of fee in tail, all those kinds of names that were common in the land registry system from Britain.

The land registry system was basically a system of registration which allowed a great deal of flexibility with what you could do with land. That was sort of the beauty of the system, that you could use land and grant rights and partial rights, leasehold rights, easement rights, in a whole number of ways that therefore allowed a great deal

of flexibility for the landowner to share his or her property rights with others.

In probably the 1960s or 1950s, we started to develop some land systems which gave greater surety of title to a person who was buying the land, because the government at that point in time started to see that the old system of land registry often required a lawyer or a title searcher to go back and check the history of the title for a very long period, where records were not that good, where there weren't a lot of land surveys surrounding what was described in the instruments. There was a decision to create essentially two other types of systems, called the certification of title system and the land title system.

The certification of title system was a system whereby if a person was uncertain of the title because of the registry documents that went back 40 or 50 years, there was a process by which you could go and essentially, at a time frozen, get a certification of the title as of 1960, as of 1972 or as of whatever time the application was made, that the title was good and the crown was saying the title was good at that time, subject perhaps to a certain number of conditions.

Then the land title system was developed. The land title system was a system of titles whereby not only would you freeze the guarantee of the title at a specific time, but you would continually guarantee that title into the future. The land title system I think is one which we should aspire to for every title, every piece of land in the province of Ontario, because what it does is limit or lower the cost to the consumer in terms of acquiring that property. In fact there is a guarantee that is kept up to date, so to speak, from year to year. Then when the next purchaser comes along for that property or the next mortgage goes on that property, you don't have to go back and there is certainty of what your rights are in that particular property.

What happened in around 1986 or 1987 was that the government of the day decided that it would try to take another step in the long history that I've outlined, and that would be to give even greater certainty of title and greater accessibility in terms of records. To try to move where we were going in the future, they started a project totally within government called Polaris. This was contained in the Ministry of Consumer and Commercial Relations, through which the land registry offices have always reported.

That project started, I believe, in and around Kitchener; it was in southwestern Ontario, as I understood it, at the time. They started to digitalize and tried to develop a system of putting paper onto a computer. As I understand it, they started to run into problems about two or three years later, deciding that the government itself couldn't put this project together. It was becoming evident that it was quite awesome. I think the number of properties at that point that were under the three registry systems that I outlined was something like 3.6 million or 3.7 million across all of Ontario. It was becoming more and more evident to the government of the day that they couldn't do it.

1040

In 1988-89, the government put out an RFP, or an RFQ—I'm not exactly sure how they went about it—to try to join in partnership with the private sector to carry this project of digitalizing all of the land registry records across Ontario and put that in a public-private partnership. I think actually the first partnership fell apart, but in 1991 a successful partnership did develop with a company called Teranet, which is still the company with which we are engaged in undertaking this project.

That company is owned 60% by the private sector and 40% by the government of Ontario. We still have 40% of the common shares. I believe we also have some preferred shares securing the investment we had already made as a government in the project. In other words, as I mentioned before, we started as a government alone trying to do this project and I think the government of the day spent around \$30 million of government money in terms of the staff of the civil service that it had put in. The deal struck at the time was that we would put in \$29 million, the private sector would put in \$29 million and we would get credit for the \$30 million which we had already sunk in, in the form of some kind of preferred shares, which I guess eventually will come out at the end of the project.

I have to tell you, though, that as we went through this process, having had the opportunity to do some work in this area, primarily in the 1970s when I practised law, I was somewhat skeptical that this project could be done, just because of the mammoth size of it. It was just huge. Having had the pleasure of going particularly into rural eastern Ontario and seeing the complexity of some of the titles, the uncertainty of some of those titles and the task that was there to try to clear up an individual title, I was somewhat skeptical that we would get to a final conclusion. But of course it wasn't within my realm of possibility to deal with that matter at that time, save and except as an opposition member of the Legislature, and the deal was struck with Teranet and it was set.

As you can imagine, when I outline the three kinds of titles that there are, the three kinds of registration systems that there are in Ontario—the land titles, the certification of titles and the registry office—the first two are much easier to deal with when you're trying to put them on a digital record and trying to confirm that this title is good, because in the first case—and the most important part of

both certification of title and land titles is that you need a survey. If you have a survey on the ground which says in the description of the land that you are buying or selling or mortgaging, a particular parcel of land which is described in a survey which is in fact there on a piece of paper, then there is much less problem with conflicts surrounding that particular title. You have a picture of it, a land surveyor has gone out and put bars in the corners and therefore you know exactly what's happened. A lot of the problems with the registry system relate to sloppy descriptions, you know, "the east half of lot 7, concession 8," and in some cases the farmer who was adjacent to it put his fence over on the particular property and there were rights associated with possession and all those kinds of things.

At any rate, what happened over, as I understand it, the first four or five or six years of the project was that the digitalization—blame it on the computer—was primarily focused on those properties which were in land titles and in certification of titles. The real problem that Teranet ran into was when they started to get into the registry office titles. In eastern Ontario that is probably more prevalent, particularly outside the urbanized areas. It becomes more and more expensive to clean up these titles because you don't have the surveys, you have sloppy conveyancing that took place and those kinds of things. As we're getting closer to the end of the project in terms of putting all of these—now I think there are 4.2 million or 4.3 million titles, because the number of titles has gone from 3.6 million to 4.3 million—Teranet is facing more and more difficult problems in putting each new property on to the system because it's hazier as to exactly what the rights are and it's more difficult to clean up the old titles.

Presently we are in a situation where we have approximately 72% of all properties on the system. We still have some areas, I believe, in the north, like Sudbury, Thunder Bay and some of the northern communities, which basically have a land titles system, so that putting those particular projects on to the system will be still relatively easy. But to get the last 15% to 20% is going to be a difficult process. I think the bottom line is that we're going to have to sit down with Teranet and calculate out how this will eventually be done in a most efficient and economic way.

The bottom line of the whole thing, in my view, is that it was a mammoth project to start. It has required over the period of time for the government and the company Teranet to continue to negotiate, to continue to deal with changing technology, the changing nature of the project as you've gone from the easier properties to put on the system to the more difficult projects to put on the system. But as a result of what we have done, I believe that in the end we will provide, number one, a process which will be more economical to run and more economical for us to deliver in the future.

It does take less time for the people involved in the transactions to do their business and therefore should lead to consumer savings with regard to that. It will lead

to greater certainty of title and therefore I believe that services like title insurance, often used in the United States, are virtually unnecessary for the average person in our province. You have the province standing behind the title, so why do you need somebody else ensuring that particular title? In fact, what has happened, if you compare costs of conveyancing in the province today, they are very similar to the costs for the services of a solicitor and for the services of a title searcher back in the 1970s. Those costs have not increased and that's partially due to the fact that we have continually improved our registration system.

I don't think you can look at this particular item and investment in this particular area as a public-only investment. I think you have to look at it from the point of view of the citizen and what is he or she getting in the end. I believe in the end they are getting better certainty of title and they are probably getting a much better cost in terms of the delivery of that service.

1050

We have in part of Ontario provided for electronic transfers at this present time, and hopefully that will spread to other parts of Ontario. That is a system where the client comes in, normally, to a lawyer's office and says, "I'm buying or selling a piece of property," and the lawyer can, without going to the registry office, search the title in his office. He can actually transact the business in his office via keyboard, through the use of identification numbers and can of course transact, in a lot of cases, the financial part of it as well. So it is moving from a very, very antiquated, old system into, really, the next generation, and we are leading many jurisdictions in the world in terms of what we are doing.

The company Teranet itself also has alternate businesses that it's been involved in, although the land registry system in Ontario and the digitalization of that system has been its principal business. They have done some business in the UK in terms of other kinds of software. They have software packages that they are selling, and it is our hope, as this project comes to an end, that that part of the company will be enhanced.

The Chair: Minister, we normally allow 20 minutes for opening statements.

Hon Mr Sterling: Have I gone on more than five?

The Chair: You've gone about 21½ minutes. But I'll let you finish up, and then there may be some questions.

Hon Mr Sterling: I know that you've all enjoyed it, though, very much.

The Chair: You've certainly given us a beautiful legal history of our landholding system in Ontario.

Hon Mr Sterling: I guess the net part of the whole thing is that to date this has cost the consumer—our net investment is about \$115 million. We have saved about \$75 million in government staff because government staff in registry offices have dropped from about 1,200 to under 500 as a result of how the business is done, and we are in fact ending up with a better system in the end.

We have not received dividends as shareholders of this company at this time in terms of cash. I believe we have

received dividends in terms of those other things that I mentioned, in terms of lower-cost transactions for the average Ontarian. But we will continue to act diligently in representing Ontario's interests as a member of Teranet and also as the ultimate controller of the land registry system.

Teranet owns the system. The province will forever, as long as we are the government of course, own the data. Therefore we, in the end, control that. We control the registration fees, which are part of the investment strategy that is involved in this.

Thank you very much. I had a prepared speech which I didn't actually read, but hope that the people who wrote it are not too—

The Chair: I'm sure you can file it with us and we will read it for bedtime reading.

Hon Mr Sterling: I'm sure you will. Would anyone care to ask me a question about the beginning?

The Chair: As I mentioned before, last week when you appeared before our committee, it is rather unusual for a minister to appear before this committee, but we always welcome the opportunity. What I'm suggesting is that perhaps we'll allow 10 or 15 minutes for each caucus to ask questions, if I hear no objections, because there may have been a number of issues based on that. So I'll start with the Liberal caucus.

Mr George Smitherman (Toronto Centre-Rosedale): I'd like to ask maybe just a couple of framing questions to try and determine better the extent to which—

Ms Marilyn Mushinski (Scarborough Centre): Do you want to frame the minister?

Mr Smitherman: Glad to see you're awake.

The way the relationship works talked about public-private sector partners, as we hear that language a lot. You mentioned the 60-40 split. I'm anxious to know the extent to which on a day-to-day basis the government of Ontario seeks to play its role in determining the way the business is run.

Hon Mr Sterling: We don't. We have equal representation on the board of directors, even though we are "minority shareholders." The relationship is purposely set so that the company has control, so the CEO or the president has control of the day-to-day business. Our relationship is involved in really dealing with the agreement that we have with Teranet the company and through the board of directors in terms of general guidance to the company in terms of some of the major decisions which would, of course, include their financing arrangements.

Mr Smitherman: Would you agree that that sets up a situation whereby some taxpayer dollars—or in this case, you used words like "investments," talking about the system itself—are offered a higher level of scrutiny and accountability through the Provincial Auditor, as one example, than investments—a word that you used—into these public-private sector partnerships?

I'll use as an example that this morning I awoke to your smiling face on television talking about absentee rates in the public sector. As a partner in a public-private sector partnership, does the province of Ontario have a

greater responsibility to the taxpayers to play a role in making sure that companies are operated with every available energy put toward the protection and enhancement of the taxpayers' investment?

Hon Mr Sterling: I think the scrutiny has to be a little bit different in terms of what we do because we are not making the individual daily decisions and therefore we have to hold a board of directors in the company responsible as a whole in terms of the profit and loss, the living up to the contract which we have made them, whereas when we are responsible for the actual delivery of the service, then we have to be more intrusive in terms of our scrutiny.

Mr Smitherman: Would you see it as an unhealthy precedent to begin, through these public-private sector partnerships—which presumably are going to become more rather than less common—to give greater access to the Provincial Auditor, as an example, through the agreements that are signed? Obviously, Teranet was looking for business from the province of Ontario. I'm not saying you were there when the original deals were done, but I'm asking for your view. You've been a minister now for your second go-round. The Teranet file is not a new one to you. Probably you got back there for your first afternoon of briefings and were reminded that this stuff was still going on and you wrung your hands—

Hon Mr Sterling: No, I expected it, actually.

Mr Smitherman: Do you think this is something that we ought to be trying to enhance, to provide a higher level of accountability for the taxpayer in those investments in private-public sector partnerships, as an example, to give the Provincial Auditor enhanced access to those things to protect the taxpayers?

Hon Mr Sterling: I think what you have to do is seek the protection within the framework that you set up. The whole idea of a private-public partnership is to say that the private-public partnership is going to operate in a freer and a more competitive nature than you can as a public sector. The public sector is often inhibited in terms of how it operates because it's not operating with a bottom line, it's not normally operating in competition with other sectors, and therefore I think you have to take that into account in terms of what you're doing. Therefore, I don't think that the intrusive nature that we allow for our auditor to go into our ministries should be the same in public-private sector relationships. I believe it should be done through the contractual nature and the overall view of it from the point of view of what we, the taxpayers, are paying for it and what the government stands to win or lose out of it.

Mr Smitherman: Wouldn't you say that it's a dangerous precedent to establish a situation where the public domain is narrowed through public assets being transferred, in a sense, to the private domain, where there is a—I would say diminished; I think you would at least say different—level of accountability. Isn't the danger that you as a minister, with some responsibility presumably, if I'm to read my press clippings, to try and find ways to save costs within the ministry that you're responsible for,

are taking a very different view toward that piece of business that used to be a core ministry business but is now in a public-private sector partnership and operating in a different way? Isn't there a danger that the taxpayer is better represented in the sense that you're working harder to look at the line-by-line activities in your ministry than those things which have been pushed into another domain and protected, I would say, from a better look-see from some of the tools that citizens have found important, like the Provincial Auditor?

1100

Hon Mr Sterling: I think it's a trade-off. I think what you do when you're deciding whether you're going to go and have a particular service provided by the private sector rather than the public sector is that you're going to gain more efficiencies because they are better able to control their expenditures, better able to make decisions on a day-to-day basis in terms of the running of a business rather than as a public sector, because of the pushes and the pulls that they have in the private sector, and therefore you say we can afford not to have day-to-day scrutiny in this particular matter and we can then describe that in a contract with the company, and if they step outside of that particular contract, then we can go back in or we can take remedial measures. That's, I think, how the original contract was set up back in 1988, 1989 or 1991, or whenever it was, with Teranet. I think there's a balance there in terms of what you do.

Mr Smitherman: In your time as a minister with responsibility for the Teranet file, if you will, have you ever been in a position to ask the senior staff there or the board or your government appointees on the board to take costs on, to sponsor events or activities? Have you ever as a minister used any influence to ask Teranet, the private company, to sponsor activities that were of particular interest or concern to you?

Hon Mr Sterling: I'm not sure I understand the question. I have met with the chair of Teranet, I've met with some of the members of the board, whom we appoint as the government of Ontario, to talk to them about their concerns with regard the company. This is going back to when I was the minister before, 1995 to 1996. I have not had the opportunity in the last two weeks to meet with anybody from the board. I don't know how many times I met with members of the board to talk about the direction that Teranet was taking, whether we should renegotiate, not negotiate, what the debt load was, all those kinds of things. Yes, I did as a minister do that.

Mr Smitherman: I'll just restate my question. What about instances where you might have asked them to look favourably upon something that had come across your desk or domain and that you weren't in a position to deal with? This is a private company. Obviously they've got the capacity to do some things the government can't do. Have you ever as a minister been in a position to ask them to support activities that you might have favoured but weren't in a position to do as a minister?

Hon Mr Sterling: I can't imagine how that would happen; they're in a very defined area of business. So no, I've never done that.

Mr Smitherman: No sponsorships, no support for hiring of employees, that sort of thing?

Hon Mr Sterling: No.

Mr Smitherman: No advocacy on that part?

I guess I have a different tack of question. One of the things I worry about—obviously all of us are struck every day by the rate of technological evolution that's going on. I think about 1991. It doesn't seem like that long ago—well, maybe it does to some—except when you place it in the context of technology; obviously there's been a pretty dramatic rate of that. Is there any danger that because we continue to miss deadlines—I think you made a pretty good defence of the challenge, especially with the last 28% that still need to be digitized, but is there a danger that because we miss deadlines and the total time that it's taken will be much greater than was originally predicted, the end product that the taxpayers, the citizens of Ontario, will have will be at risk of being not redundant but out of date technologically?

Hon Mr Sterling: There is always that danger in terms of what you do, but hopefully the data and the technology now permits you to transfer or use all the work you had before to move it on to the future.

We may decide, too, that we shouldn't try to do this last stage, this last 18%, within a specific time frame of three to four years. We may decide that it's more efficient and better for us as taxpayers and as a government to do that over 30 years in order to get that last 18% done. It may be much better to try to do that as the properties actually transact into the future and make a deal, or try to contract that on an individual case with all the lawyers across Ontario to get that finally done. So we're entering into a very different stage of time in terms of where we're going to go in the future, but there is that danger.

Probably the ministry will be able to answer you more specifically on it, but as I understand it, Teranet is building the system so that it could be transferred on to a succeeding system if that became the way in the future.

Mr Smitherman: I want to make sure I heard that right. Were you suggesting that it might take 30 years to complete those final tough ones and that that might be, from your standpoint, an appropriate circumstance?

Hon Mr Sterling: I think that should be part of the discussion, as to whether we should do that or not.

Mr Smitherman: How do we engage in that discussion?

Hon Mr Sterling: I will engage in that discussion with Teranet to find out what is in the best interests of the taxpayers in terms of finishing off this last 18%.

Mr Smitherman: I might say that for my two cents' worth—and I will phrase this in the form of a question—I would ask you to ask them this. My concern would be that you have a situation whereby you decide to slow down the rate rather than finish that final piece, and obviously people in some parts—you've mentioned

lawyers as one example. I was waiting for a response from my honourable friend the Chair to talk about his knowledge of this situation. But it would seem to me there would be some regional inequity in a circumstance that saw those more difficult ones put off with that project not being completed. I think that's a danger, on a regional basis.

I would be even more concerned that further enhancements to keep up with technology that you mentioned are there as a platform to build upon, that it would be very difficult to justify those enhancements to the piece that has already been done in the absence of having completed the overall project. How would you respond to that?

Hon Mr Sterling: I think you have to look at where these properties, the 18%, are. They're probably properties which are often within families, that may be traded or sold or conveyed or mortgaged once every 30, 40, 50 years. Therefore, in terms of equity, you're talking about properties generally of maybe lower value where it just doesn't pay to have it all surveyed; the survey costs three times as much as the value of the property. You run into problems like that. Therefore, it's not a question of equity in terms of one system versus the other, or the cost of doing business from one to the other, but the fact that a lot of these properties that we're taking about are the properties that are relatively inactive in Ontario.

What is the best way to deal with them? Is it better to spend \$100 million—I'm picking that totally out of the air—when you could have this done over a longer period of time for, in present-day dollars, \$10 million, and you're not really hurting anybody in terms of how they transact business because the business is transacted so rarely in those areas? I think that has to be taken into account.

I would imagine that the technology will always accept a new piece of property because the number of pieces of property is going to grow every day anyway. Every time you put up a new condominium, if you have 100 apartments in it, there are 100 new properties that go on to the system, so it's always going to have to be open-ended.

Mr Smitherman: That's 5,000 new properties in my riding alone in the last year or two.

Hon Mr Sterling: Thanks to the growth we have in Ontario.

1110

Ms Shelley Martel (Nickel Belt): Thank you, Minister, for appearing before the committee today. I'd like to begin where the auditor left off in his audit, in terms of the future fallout, because the auditor made it clear that at the time the audit was complete the ministry could not give the auditor a good indication of where it was heading. Specifically, "The Ministry also advised us that it was in the process of assessing its options for automating the land registration system." So, by your comments here today, should the committee assume that the ministry has completed its assessment of options and you

are clearly determining that you will continue with Teranet?

Hon Mr Sterling: I can't answer that. I do know that we hired a consultant to evaluate the situation before the auditor began his report. I don't believe we have that evaluation back yet.

Ms Martel: This is the second evaluation after the outside consultant who reported in 1999?

Hon Mr Sterling: I'm going to have to defer to my deputy on that. This is a point of history that I wasn't involved in.

Ms Sandra Lang: The review that the minister referred to is very much an ongoing initiative between ourselves and SuperBuild, which is a part of the government's examination of its ownership interest in the company. We have yet to complete that evaluation. We have explored a number of options, we have a number of options that we're looking at, but we haven't completed the analysis yet of those options to determine whether there is a specific course of action that we then want to sit down and negotiate with the company.

Ms Martel: Let me back up because your options, as I just heard you, all include Teranet. When I read the auditor's report, it seemed to me that there were options outside of continuing with Teranet. Is the review specifically on how to continue the relationship with Teranet but to improve it so that they continue to be the company providing this service?

Ms Lang: I certainly think that is a very real option. It's not necessarily the only option. I think we want to ensure that the investment we've made to date with the company is continued if in fact that is a viable option and one that's fiscally prudent.

Ms Martel: Can you describe to the committee what other options you're looking at that might be outside of Teranet? Is the ministry seriously considering resuming ownership of this project?

Ms Lang: I think it's fair to say we've looked at that, but as I indicated earlier, we haven't completed the analysis of that. There also is potentially the option of looking at a different company, should we want to pursue a different course of action with another company. But all of those are, at this point in time, just options that are needing to be done. As good public servants, you know it's our job to look at all the options available to us and provide the best advice we can using principles of good customer service and fiscal prudence.

Ms Martel: I appreciate that, Deputy. I guess what worries me is the uncertainty, because as I listened to the minister, I certainly got the impression we were continuing on with Teranet. I apologize if I was mistaken in that. What worries me is that the auditor completed his report in, what, April 2000? We are now in February 2001 and you still can't give us a clear picture of whom you're going to continue with and how this project is going to unfold, almost a year later. Doesn't that worry you?

Ms Lang: I think it's fair to indicate that we have been, in the course of that year, doing a significant

amount of work exploring options. But we've also engaged, as I indicated earlier, with SuperBuild in a process to do the appropriate kind of due diligence. We've engaged financial firms, technology firms and legal firms to do the best analysis they can and give us the best advice on what our going-forward strategy ought to be.

Ms Martel: Can you tell us, Deputy or Minister, whoever wants to respond, does the ministry have concerns about Teranet's financial stability? I'd refer back to the bond issue in September 1999, which clearly involved Teranet using its proceeds (a) to pay loans and (b) to finance the future costs for this system. Now, those future costs were not identified by the auditor, so if you know what they are and can share them with the committee, that would be helpful. But are you in any way concerned about their financial viability as a company and whether or not it's going to make good business sense to continue with them as a partner?

Hon Mr Sterling: Of course we are. We always will be concerned about debt. We, the taxpayers, own 40% of this company and that's why we have people on the board of directors: to be concerned about that. I would point out that that bond issue is issued by the company. It's not a liability of the taxpayer as such, save and except that it's a liability of the company of which we have part ownership. It's quite important to understand the distinction. Therefore, it limits our liability in some ways in terms of the government of Ontario.

Ms Martel: Except it would become a liability to you if one of the options the ministry chose to continue this process was to terminate its relationship with Teranet, because Teranet put up as security its licence with the province, the agreements, all the computer software and the equipment. So the issue of where you're heading is particularly important, because if where you're heading includes terminating your contract with Teranet, there are some serious obligations that the province would have to assume.

Hon Mr Sterling: I don't want to hold that out as our number one choice by any stretch of the imagination. I think we've had a long relationship with Teranet over the last 10 or 11 years, and the likelihood is that that will carry on and we'll continue to work with them to try to make this system work and to get the project done to the best degree we possibly can. My guess would be that it would be more difficult to untangle than to try to make this thing work, and we are working as partners with them to try to make it work.

Ms Martel: Do you know what their future costs are with respect to implementing the automation? This goes back to their issuing the bonds to have enough money to cover that. Do you know what their costs are?

Ms Lang: I think the costs are going to be determined partially by how we decide to proceed in going forward. If we continue on the same path that we're going at the moment, I think the estimate from the company was somewhere in the order of \$700 million. But we have not

made any of those determinations in terms of accepting that as our going-forward strategy.

Ms Martel: Is SuperBuild looking at this \$700-million estimate? Can you give the committee a clearer picture of why that appears to be so high now? What does it involve?

Ms Lang: SuperBuild is looking at that number. They're looking at a variety of components of the company and its estimation of the costs. I think the costs are probably related, as the minister alluded earlier, to the nature of the records that have yet to be automated and the amount of time associated with trying to convert and automate those records in a very timely way.

Ms Martel: Just out of curiosity, has SuperBuild also looked at—perhaps they're not the ones—has the ministry sought some legal advice with respect to what its obligations might be if the relationship with Teranet was severed? I'm not suggesting that's where you're going, but certainly as a result of the bondholder issue, did the ministry seek legal advice at that time to clearly understand what its obligations might be?

Ms Lang: Yes, we did. It's our belief that we do not have any liability that relates to the bond. We were quite clear in getting legal and financial advice, and we consulted the financing authority for the province as well.

Ms Martel: So despite what has happened and despite what was put on the table as an asset, there are no repercussions for the province?

Ms Lang: We still have ownership of the data, and we also have in one of our agreements the expectation that we will continue to see the operation of the land registry system should there be a break in the relationship with Teranet.

Ms Martel: The ministry does that, and that's clearly in the agreement?

Ms Lang: Definitely in the agreement.

Ms Martel: In terms of the decreasing revenues that are coming back to the province, is SuperBuild examining why that is happening? For example, we know that in 1994-95 the revenues were about \$38 million, and that declined to about \$13 million in 1999-2000. Is the ministry examining why those revenues continue to decline when it appears there would be more transactions going on than ever before?

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Ms Lang: I think I would interpret your question to refer to the royalties. Is that the number you are referring to, the royalties coming back to the province?

Ms Martel: I would assume so, but I don't think the word "royalties" was used.

Ms Lang: I think the numbers you referred to are clearly the numbers associated with the royalties.

Ms Martel: And the decline is associated with what? The committee would have to assume that an increasing number of transactions would be occurring, so our royalties should be increasing, not declining.

Ms Lang: That's right. I'm going to ask David Roote. He's the ADM responsible for this division, so he can respond to that question.

Hon Mr Sterling: Mr Chairman, while I've offered myself, perhaps members of your committee would rather ask questions of my officials.

The Chair: In all fairness, we allowed the official opposition 15 minutes to question you, and we'll allow Ms Martel and your own government members the same time. Whether they use it to question you or the ministry is entirely up to them.

Hon Mr Sterling: I was trying to get out of here, that's all.

Ms Martel: Any of these that you'd like to answer would be fine with me, Minister.

Mr David Roote: If I could, then, the original model that was established assumed that as properties got automated, the statutory fees related to the registrations on those properties would be transferred to the company as an ongoing funding mechanism to pay for the project. What the Provincial Auditor looked at, and our assumption, was that as those revenues began to increase to the company, we were also experiencing savings. As the minister mentioned, we have saved about \$75 million in staff costs and we also no longer have the operation of the system, since it's operated through the company. So on a net basis, the province is better off and, as the minister mentioned, our net cost is about \$114 million. So it was always assumed that as the properties became automated, the fee revenues would be transferred to the company to pay for the ongoing cost of the project.

Ms Martel: But the revenues are dropping.

Mr Roote: The retained revenues for the province, because as more properties get automated, those revenues go to the company. We retain the revenues associated with the properties that are not automated.

Ms Martel: But isn't the split 50-50?

Mr Roote: That's on the basis of the profits from the company, not the diversion of revenues from registrations.

Hon Mr Sterling: I think it varies in terms of searches. If it's automated, Teranet gets 95% and the province gets 5%. On registrations, I think it's 75% in royalties to Teranet and 25% to the province. You have to remember too that as what we get back is dropping, so are our costs. Yes, we're getting less in terms of the revenue pot, but we're being pulled upon less and less each day as more and more of these properties go on to the automated system. It will be a net wash in the end and hopefully net positive for us.

Ms Martel: That was going to be my next question. So far we've seen a decline over the period 1994-95 through to 2000. I don't know if you have any estimates of your revenues for 2000-01 or if it's too soon to give the committee an idea about it. Are we going to end up in a situation where there actually isn't a net benefit, that we're seeing a loss in the outgoing years as this project is completed?

Mr Roote: No. We will continue to retain the revenue from registrations against properties that are not automated. Since the automation project has carried on longer than was originally anticipated, the retained revenue for

the province is also more prolonged. Also, as a result of the properties being automated and fees being transferred to the company, our royalty payments rise, because, as the minister mentioned, 25% of the registration fees come back to the province as royalties. So our royalty payments are rising as the properties get automated.

Ms Martel: Do you have a schedule you could provide to the committee that would show both of those streams? I must confess that not all of this is very clear to me.

Mr Roote: I'm sure we could provide that. As the deputy has mentioned as well, it will be affected on the basis of the go-forward model we develop, once we finalize what the public policy approach is going to be in the future.

Ms Martel: Could you give us—and maybe the deputy or the ministry could answer—some of the things you're looking at with respect to trying to improve the accountability you have with Teranet? I gather there has been no contract signed with respect to the latest deadline, which in our documents appears to be 2010. I don't know if the ministry thinks that will be the actual deadline or whether that is something SuperBuild is also looking at. Can you give us some idea of what you're looking at in terms of how to improve the relationship so that there is better accountability and we more clearly understand the costs that are coming at us and the schedule as it appears to be going away from us?

Mr Roote: If I might, Deputy, the deputy talks and meets regularly with the chair of the board. Prior to board meetings, the deputy and I also speak with our provincial appointees on the board. I also sit as a non-voting member on the board. That was one of the recommendations made out of the consultant's report so that we have a greater direct presence at the board meetings from a provincial standpoint. We do have good oversight as to what's happening with the company, and we will be talking about the various models and what the completion date will be or how we determine when the completion of the project will be. That's part of the options we're reviewing now.

Ms Martel: Are you in a position to share with the committee any of those at this time?

Mr Roote: I think the deputy has mentioned a couple and the minister mentioned a couple with regard to looking at conveying or doing transactions of the properties that are conveyed into the future. There are a variety of different things, but we're still in the early stages of doing the analysis, and now with SuperBuild involved as well they are looking at the financial and ownership interests. So those things all have to be put together; they have to be done as a package deal.

Ms Martel: Do you have any idea when the review will be complete?

Mr Roote: SuperBuild is hoping to have some results of their analysis available in the spring, and we hope to be able to have our information with regard to the public policy options completed around the same time.

Ms Martel: In the meantime, you have not extended formally by way of contract the completion date, so the completion date that is still in effect would be the one that was signed in January 1998 for 2004.

Mr Roote: That's correct.

The Chair: We'll have to leave it at that for now, Ms Martel. Mrs Munro.

Mrs Julia Munro (York North): I wanted to go back to the little history lesson that the minister provided us with in relation to the fact that when you talked about the historical role the province has provided in this area, it is clearly providing the kind of service primarily to the legal profession in terms of being able to execute the research that's necessary for those lands to change hands. I just wondered whether, through you or the deputy, we have any notion in terms of the way in which this current process is working and whether we can look at the kinds of things that are happening today as a result of those changes that have been introduced through Teranet.

Hon Mr Sterling: I have to say that of course whenever you go into these kinds of things you have resistance in terms of people who are involved in it, but those people who are involved in it love the system. We have a lawyer who would speak to it, if that's the desire of the committee, in terms of transacting property and those kinds of things.

I must say that when I looked at it, as I said before, having been involved under the old system, I was somewhat skeptical about some of the things and particularly concerned about the security of transactions and those kinds of things. I became convinced after I listened to the debate that in fact the new system, the electronic system, is in a lot of ways more secure than the paper system, because there was forgery; there were methods of fraud under the old system. The system will work and it will work well, and the legal community will speak very highly of it. I think you should also know that it will lead to lower transaction costs for the consumer because the system is more efficient in terms of everybody's time and it is more certain in terms of the titles that are being transferred.

1130

I suspect we'll have a debate here in the Legislature maybe five, 10 or 15 years from now—I'm not sure when that debate will take place—that maybe we'll have conveyancers in this province instead of lawyers doing this kind of business. It would of course require them to be well trained. This has happened in England in terms of the conveyancing profession. Mind you, those conveyancers are trained just about as long as the lawyers are in terms of what they're doing, but I suspect that will happen. But right now, as I mentioned before, the cost per transaction is about the same now as it was in the 1970s in terms of the solicitor's fees. Other costs have gone up—the costs of surveying, the costs of real estate fees, because property is worth more and it's a percentage of, and those kinds of things—but if you look at the cost per transaction, it's stayed the same, and that's because of some of the automation that has gone on.

Mrs Munro: I just have one other question then that sort of relates to that, looking at this in terms of what role this automated land registration system is going to play in the bigger world of e-commerce. There were questions raised a few moments ago about how flexible this system that is being designed today is going to be for the future. Obviously it would seem to me that this is also part of what should be in the mandate, if you like, of the organization.

Hon Mr Sterling: That's a good point. The whole idea of setting up Teranet was not just to run the land registry system and automate it. The whole idea of setting up Teranet as a public-private company was that they would in fact become innovative, they would use this as a jumping-off point in terms of other services. They have, as I understand it, already been involved in some other kinds of services. I had examples of them. Maybe you can give me a hand on exactly what other kinds of businesses they've been involved in.

Mr Roote: They are developing an electronic portal for the legal community called BAR-eX. That's their brand name. It allows the legal community to do a lot of different things. Even getting into the ordering of legal supplies, they can have linkages now. As the minister said, they want to get more innovative, they want to expand in the market for lawyers so that they have not only the real estate business but they get into the other business that lawyers are engaged in, in order to expand their markets in those areas. They have done quite well in that regard.

Ms Lang: I would also refer to the fact that they are engaged in work with the Ministry of the Attorney General as well. They've automated the writ system. The writ system is one of their products. As the minister alluded to, they have also been engaged in some initiative with the government in the UK in looking at the extent to which their products might be useful to some of the initiatives the UK is currently considering as they relate to their land registry system.

I do know that they've also had some discussions with the provinces west of here. Saskatchewan, for example, has been talking with them about the product they have and whether there's some value there in terms of Saskatchewan taking a look at our process.

Ms Mushinski: I'd like to follow up on Mrs Munro's line of questions, because it seems to me, when I look at some of the handouts you provided to us this morning, that there's significant experience on behalf of Teranet if you look, for example, at the awards they've received etc. Can you advise us if a cost-benefit analysis was conducted prior to entering into this contract in 1991?

Ms Lang: Yes. There were actually quite a few cost-benefit analyses conducted. My understanding, based on the information that I've been given to date, is that in the late 1980s there were some cost-benefit analyses that were looked at as the government of the day was contemplating the automation and seeking out a private sector arrangement. There were also when the contract was signed.

Ms Mushinski: Could you say that again? That was in 1988?

Ms Lang: It was 1987 or 1988, the latter part of the 1980s.

Ms Mushinski: During the Peterson government.

Ms Lang: I know the ministry also conducted some examination of what it would cost for the government if we were to carry out the automation process utilizing continued investment in public servants and the technology of Polaris. At that time, I think the estimates were well in the order of somewhere over \$600 million, with a timeline of about 15 years to complete the automation. It's also fair to say that at that time we weren't contemplating electronic registration. It was simply automation of the records and conversion to title.

In the early 1990s, when the contract was about to be signed, due diligence was taken at that time. I understand that consultants were brought in to take a look at the arrangement and the contracts, and the assessment was completed before the contract was signed in the early 1990s. So there has been a series of examinations, both from a cost-benefit perspective and also to ensure the contracts were tight and in the public interest.

Ms Mushinski: I'm trying to get a handle on this change from 3.4 million properties to 4.3 million, which I believe, Minister, you said represents about 17% that haven't been registered yet, or converted, I guess?

Hon Mr Sterling: Let me clarify that. As we were saying, each time a condominium is registered—let's say it would have 100 units in it—that increases the number of parcels there are in Ontario. Because we've had such significant growth in that kind of development over the last five or six years, it raises the total number of parcels of land—calling your space in the air a parcel—from, I think, 3.5 million to 4.3 million or whatever. So the number—

Ms Mushinski: So that's growth?

Hon Mr Sterling: Yes, that's growth. But of the 4.3 million in total, we still don't have 28% automated at this point in time. It's easy to automate the new ones that are coming on, but it's more difficult—

Ms Mushinski: I take it that the new ones—I'm looking at growth of close to 4,000 units coming on stream in my own area in the next little while, very close to the growth in Mr Smitherman's riding, thanks to our government, of course, but he never said that. I take it the growth is automatically registered under the new system.

Hon Mr Sterling: It depends where it's occurring, but generally speaking, yes. If it occurred in Sudbury, it wouldn't, because it hasn't happened in Sudbury at the present time.

Ms Mushinski: So does that 28%, which is what I'm trying to get a handle on, have to do with the complexity of the transaction, does it have to do with the location? Why has that 28% not yet been undertaken?

Hon Mr Sterling: The answer is partially both of those—the way you put the question. Part is the location. They have gone, in terms of automation, to one geo-

graphic area. I think they started in Kitchener and then went to London.

Interjection: Woodstock.

Hon Mr Sterling: Woodstock. They've sort of moved from registry area to registry area. If you were looking at it, there are probably 8% to 10% that are still somewhat easily done. Those would be in suburban areas like Thunder Bay and Sudbury, where they are under a land title system. Automating those records will be fairly easy. Once we get to 80% or 82% or 83%, the other 18% will be difficult to do because they are in the land registry. They are out in the rural communities, and the titles aren't quite as good in those areas.

Ms Mushinski: My last question has to do with other jurisdictions. Are there other jurisdictions within Canada that have automated their land registry process?

Mr Roote: Yes, there are. BC OnLine is one of them. But to compare Ontario with the other jurisdictions in Canada, Ontario certainly has the most properties and, as the minister has said, in some of the other jurisdictions, particularly in the west, all the properties were in land titles to begin with, so the conversion process wasn't necessary.

In the eastern provinces, New Brunswick and Nova Scotia are also going to convert their properties. They're in registry and will be converted following the Ontario lead, because they do see the benefits we are incurring in Ontario and are pursuing automation like us. We are certainly front-runners with regard to the ability to have electronic land registration. We're the only jurisdiction in Canada that has that, and it's a decided advantage for the consumer and for the legal community to be able to register electronically.

1140

Hon Mr Sterling: Chair, maybe we didn't explain that there are sort of two pieces to it. One piece is the land titles records that are automated. They are there. When you go to search the title, you can punch it up and can find it, or you can find it on your screen in your office. The other part is transacting the business, conveying the piece of land from A to B.

As we've pointed out, the project has changed. It was originally just an automated record that you could punch up and then search your title. Now it has become not only that but the ability to transact business on your computer.

The Chair: Just for clarification, you talked about the growth taking place in condominiums, but the same thing would apply to any new subdivision that is registered or any severance that takes place that creates more units.

Hon Mr Sterling: Absolutely. Yes, that's right.

Ms Mushinski: I understood that. Just one quick question: have you had an opportunity to view the Provincial Auditor's recommendations with respect to the ministry independently reviewing Teranet's procedures? These were all alluded to in the auditor's report on page 71, which are now sort of contained within recommendations that Teranet should reassess its estimation procedures for project costs and timetables, that you should independently review Teranet's procedures and

cost estimates, and that Teranet's accountability processes be improved to ensure that relevant operational and financial matters be brought to the attention of key ministry officials on a timely basis.

I wondered if—

The Chair: Just to be clear on that, those recommendations were not contained in his report; they were a handout this morning.

Ms Mushinski: I realize that, but they were certainly alluded to in the auditor's report.

The Chair: They were alluded to, yes.

Mr Erik Peters: They are on page 71.

Ms Mushinski: I wonder if you had any comment.

Hon Mr Sterling: It's an ongoing process. We have to continue to be diligent in demanding of Teranet and the company what its estimates are, what its projected costs are, and are the dates realistic in terms of the job to be done? The ministry, as I understood it, prior to the report of the auditor last year, had already started and engaged in evaluating where we were and where we're going. We have to do that. I think it's absolutely essential with a project of this size that we continue to do that and continue to meet with our members on the board to ensure that our interests—the taxpayers' interests—are being properly represented.

Mr Bart Maves (Niagara Falls): Thank you, Minister, for appearing today. You've got a good grasp of this system and this process. You were probably a minister of the crown way back—half the time of the history you talked about in land registry.

Part of the history of this process itself—I may be wrong, but correct me if I am—is that all the cost-benefit analyses and the decision to go with a private-public sector partnership started in the 1980s with the Peterson government, and then in the early 1990s the NDP government agreed that was the right way to do this project. In 1991, did they have a full and open tender process in order to find Teranet as a company to go into this business with?

Mr Roote: At the time the election took place, there was another due diligence review. The deputy mentioned that there have been several of these done over time. So prior to the deal being agreed to or being completed, there was another due diligence review that was undertaken by the government of the day at that time, and the deal was then signed in 1991.

Mr Maves: Was there a tender process to pick Teranet?

Mr Roote: No, the process by which Teranet was formed started prior to that time. There were expressions of interest primarily from the surveying community. There was then a consortium arrangement developed which led to the formation of Teranet. So that was not reviewed. What was done was the due diligence review as the founding assumptions around this, and the government then signed the deal in 1991.

Mr Maves: When they signed the deal in 1991, the business arrangement that the minister talked about, with their revenue, the diversion of certain revenues, the

royalty, the dividend streams and all that, that was set up in 1991 also?

Mr Roote: That's correct.

Mr Maves: Has that been adjusted at all since?

Mr Roote: No, we're still operating with the same basic agreement that was struck in 1991.

Mr Maves: In part of the auditor's report he talks, and we talked this morning, about this \$44-million debt that the company has right now. Where has that debt accumulated from? What has caused that to accumulate?

Mr Roote: That's their overall financial statements if you looked at the company, their accumulated debt with regard to the carrying costs from the bond debenture and all other lines of business that they have investments in. So if you looked at the bottom-line position on a cumulative basis, there's a \$44-million debt.

Mr Maves: By looking at that, is it possible to determine what parts of that pertain to our dealings with them and what might pertain to other dealings the company might have?

Mr Roote: I don't have those figures available, but we certainly will be looking at, from the standpoint of what makes good sense from the taxpayer's value, the Polaris project and its financial dynamics going into the future. I don't have a breakdown of those numbers.

Mr Maves: Both the deputy and the minister have said, and I quote the deputy, "Originally, we were not contemplating electronic registration when the process started." In 1991, there was this \$275-million estimate to complete the process. Both timelines and costs have changed. How much of that change in the cost and timelines of the project was the result of the change of the scope of the project?

Mr Roote: First of all, the \$275-million figure was not an all-in figure. When we look the documents that were signed when the deal was entered into in 1991, the total costs estimated at that time were just over \$400 million. In today's dollars, that's about \$500 million. The major cost considerations that have occurred since the deal was originally signed were the debt financing through the bond and renegotiation of the agreement with the company's subcontractor, which added some additional cost to the projected completion of the project. Those were the two major cost considerations.

Mr Maves: Can you explain why the company left its original subcontractor?

Mr Roote: At that point, the cost to retain the subcontractor was greater than the returns they were getting on the transfers of revenues from the province. So they were paying more than they were getting in return for the business they were conducting. So they've reduced their cost by terminating the contract with the supplier. Now they do it all in-house.

The Chair: Just one question for clarification, using the Chair's prerogative, just to get some clarification with respect to a statement that you made, Minister: you said that the ultimate aim is for the system to be less costly to the consumer. I wonder how that relates to the tremendous increase in the land transfer tax over the last 10

years. Also, you made a statement to the effect that in the long run it will not, in the new system, be necessary for people to get title insurance, and yet title insurance is something that's really only come into vogue in Ontario over the last 10 years. Would you just like to clarify those?

Hon Mr Sterling: Yes. Number one, land transfer tax has nothing to do with the registry system. It's a method of taxation that we pay, and those rates are determined the same way your rates of income tax would be struck, and all that money just goes to the Ministry of Finance. I believe there have been decreases since 1995 in land transfer tax, after substantial increases in land transfer tax prior to 1995, and I'd be pleased to provide those to you.

The other question was—

The Chair: Title insurance.

Hon Mr Sterling: Yes, title insurance. Title insurance is available very widely in some states in the United States, and there has been some talk of title insurance companies coming and doing business in Ontario. But when you have a land title property, when you look on the screen when it's automated, what you see is probably one or two or three documents: you would see the subdivision agreement, if you lived in a subdivision; you would see a mortgage on the property, which would be put there either by the builder or the predecessor you had; and you would see a deed on that particular title.

When the property is transferred to you, you essentially get a deed or a transfer—it used to be deeds; they're now transfers—that says, "You are the owner of this property, subject to this mortgage and subject to the subdivision agreement." That's your title. That's what a title insurance company would do for you in the state of Illinois: they would provide you with title insurance, for which you would pay, as I understand it, somewhere around \$200 or \$300. They have a private insurance company over here which does that. We don't have that need here in Ontario, nor do we have the need for the lawyer to go back 40 years and search the title, because all he has to do is look at the most recent instruments and say, "The title is good. The province stands behind it," which is actually, in some ways, a heck of a lot better than an insurance company, because the province is forever going to be here.

The Chair: I'm sure we'll have further discussion on that.

Thank you very much, Minister. It's five to 12. We can either adjourn now and come back at 1:30 or—was the ministry going to make a presentation as well or did the minister give the ministry's presentation?

Ms Lang: The minister did a fine job.

Hon Mr Sterling: She'll tell you something after lunch.

The Chair: Then I would suggest that we recess at this time and come back at 1:30.

The committee recessed from 1153 to 1334.

The Vice-Chair (Mr John C. Cleary): I call the afternoon session of public accounts to order. It's my understanding that we're going to carry on with the

rotation this afternoon from where we left off, but the auditor has a statement he wants to make on some questions that were answered this morning.

Mr Peters: Thanks, Chair. Ms Martel raised a question about royalties and the net income going down. Over lunchtime we secured some numbers on this and I wonder, Mr Roote, if you would be in a position to verify the numbers we had for the revenue. As we said, for March 31, 1995, the net revenue to the ministry was \$38 million; for March 31, 2000, it was \$13 million. The royalty component of that in that period—maybe I should give you all the components, remembering that where fees are charged for records that are not transferred to Polaris, the ministry can retain 100%.

In 1995, \$71 million was earned in revenues not on Polaris, and \$2 million was earned in terms of royalties from Teranet by the ministry. We have to deduct from this the branch expenditures of \$35 million, which gives you then \$38 million for 1995.

The comparable numbers for March 31, 2000, were that \$29 million was earned from records not on Polaris—in other words, that's 100% the ministry's—royalties were now \$12 million, so they have increased as we assumed they would over this period of time, for a total of \$41 million, less branch expenditures of \$28 million, giving a net revenue of \$13 million.

You may want to comment, but that's the best we could provide in terms of bringing the background to bear.

Mr Roote: If I might, just to repeat what I mentioned this morning, the intention of the project, the way it was intended to be funded, was that the fees would be transferred to Teranet at the time the property was automated and registrations were made against that property. It was assumed that as more properties got automated, there would be a larger revenue transfer to the company that continued to fund the project. So the fact that the retained fees of the ministry have declined is not inconsistent; it's quite consistent with the way the funding model worked for the project.

Mr Peters: I agree with that. That really means that the decline is there because, as more records are transferred to Polaris, the proportion of 100% revenue, in other words, pertaining to non-records, would decline and the royalties would go up.

Mr Roote: That's correct.

Mr Peters: That's the working relationship.

The Vice-Chair: Is everyone happy with that at the present time? If so, we'll move on to rotation now. It's the official opposition's turn.

Mr John Gerretsen (Kingston and the Islands): Just so I'm clear, all the fees at the registry offices, other than land transfer tax, are set by your ministry. Is that correct?

Ms Lang: All the statutory fees are set by us. Yes.

Mr Gerretsen: Those fees have increased substantially, let's say, in the last 10 years. A registration fee 10 years ago was about \$20 and now it's \$60 per document.

Mr Roote: I think the fees, when they were changed in 1993, at that time were \$27.50 and they went to \$50.

Mr Gerretsen: Right, in 1993, and they've just recently gone to \$60, I believe, as of—

Mr Roote: December 5.

Mr Gerretsen: —December 5 of this past year. The search fees have gone up as well, from \$5 to \$8 just recently.

Mr Roote: That's correct.

Mr Gerretsen: Those are fees that have been totally initiated by your ministry.

Mr Roote: That's correct.

Mr Gerretsen: So when the minister said this morning that in effect the system is getting cheaper from a consumer's viewpoint, that's not quite correct. In actual fact, the fees have gone up quite drastically just within the last two to three months.

Ms Lang: That's accurate. The fees have gone up, but I think what the minister was alluding to was that the cost to the consumer should go down, particularly with automated properties, because we don't have to spend a fair amount of time and energy doing all the searches that were associated with the manual system. The consumer should be benefiting by not having to pay the legal community quite as much as they did and by not having to have as many folks trekking down to the registry office and charging to the consumer the costs associated with doing those kinds of transactions.

Mr Gerretsen: He also said, though—and I think I'm quoting him correctly—that in fact the legal fees that customarily have been charged for the lawyers' involvement in transactions are at about the mid-1970s level, that that really hasn't gone up all that dramatically. So I'm not quite sure how what you just said jibes with what he said this morning.

Ms Lang: I'd be quite happy to bring one of our witnesses up, Mr Gerretsen, if you think that would be useful. We do have a lawyer with us today who practises out there, and she might be quite happy to respond to your query.

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Mr Gerretsen: Maybe we can wait for that until a little later on.

Ms Lang: OK.

Mr Maves: While we're on the subject—

Mr Gerretsen: OK, let's hear from the lawyer.

Ms Lang: Maybe Jennifer Smout could come up. Jennifer is counsel for the city of London.

Mr Gerretsen: The question I have of you, Ms Smout, is, are the legal fees that lawyers are charging in real estate transactions—I'm talking about their fee component. The minister said this morning that they have remained relatively stable since the 1970s. A lot of the other costs relating to real estate transactions have gone up—I think he was talking about real estate commissions and things like that—but the legal fees that are charged on a standard transaction have remained relatively stable over the last 25 years. I believe that's what he said, and if he didn't say that, I'd like somebody to correct me. Do you agree with that statement?

Ms Jennifer Smout: I was here this morning, and I did hear the minister's statement. To the best of my recollection, the statement was that the fees have, for the most part, stayed the same since—I believe he said—the 1970s. What the minister did say, though—and I did hear quite clearly—is that the other costs associated with real estate transactions have in fact increased. That's what we in my profession would call the out-of-pocket or disbursement costs. It's well known across the province that fee searches—charges by conveyancers and title searchers—and also registry fees are all tacked on to a bill in addition to the lawyer's fees. It's fair to say the lawyer's fee has probably stayed the same, but the cost for the conveyancer or a title searcher to do the search has not, and you've seen those go up.

One of the beauties of an automated land registry system is that there is an enormous public benefit we haven't really spoken about this morning. It's imperative for everyone to understand that an automated land registry system reduces the number of documents that have to be reviewed in order for someone to offer an opinion on the title, so that a purchaser can buy, a vendor can sell or a bank can put a mortgage on the property. In some instances in the registry system, you might have to look at hundreds of documents in order to give that opinion. In an automated system you don't. The fewer the number of documents your conveyancer is required to pull and copy and review, and that the solicitor is required to review, the less time that's involved and the less time that's charged.

Mr Gerretsen: That's the whole purpose of going into the new system. But let me ask you this—and it relates to title insurance. I should tell you that I'm a lawyer as well and have practised in this area over the last 30 years or so. Until 10 or 15 years ago, title insurance was an unknown commodity in most parts of Ontario. He made the statement this morning that as we go into this system, basically you don't need title insurance. Ironically, it's just within the last five or 10 years that title insurance has become more and more in vogue, costing the consumer more money than used to be the case when they simply relied on the opinion of a lawyer in most real estate purchases. Do you have any comments on that?

Ms Smout: My experience with title insurance, I will admit to the committee, is somewhat limited, but I am well aware of it. I've studied it since it's been implemented. In fact, in our jurisdiction in Middlesex we had the first fully automated land registry office in the province, so we're really on the cutting edge. We were also the first to have electronic registration. When the title insurance issue came to our community, many of us thought, "We won't use it" or "We won't need it." But there are instances where title insurance is a very useful product.

I know many people in the non-automated or the old registry system see a huge benefit to title insurance, because it can actually help bring the cost of a transaction down. But the big benefit of title insurance is that in

many instances a purchaser does not require a survey of the property. Title insurance can cover situations where a survey isn't available. The cost of the survey will vary from one jurisdiction to another. They might be a few hundred up to \$1,000 or more, depending on how complex the property is. So there are benefits to title insurance, and mostly in that particular situation.

Mr Gerretsen: Thank you, because that leads me to my next question, which deals with surveys, and this is addressed to the deputy. It's correct to say, is it not, that what's happening in going into this new system—do you set the rules and regulations with respect to the registration requirements, or are those set by another ministry? Do you set those rules and regulations?

Ms Lang: I believe we set those rules and regulations.

Mr Gerretsen: It's a well-known fact that if the description is somewhat different from a previous description, or in a land severance situation or certainly in the cases of subdivisions and condominiums, you need a survey nowadays. It's almost impossible to make those kinds of transactions without a reference plan or a survey. You've set most of or all those regulations, have you not?

Mr Roote: I'll have to get a word from my counsel here.

Mr Gerretsen: You're not under oath.

Mr Roote: No, but I'd like to provide an accurate response.

Mr Gerretsen: OK.

Mr Roote: It does depend on the situation. If the property is in title, I think there is already a map. A survey would be more important in a registry property than it would be—

Mr Gerretsen: I guess what I'm getting at is that from the viewpoint of the average lawyer who works in this area and of the consumer who is involved in property transactions, going into this new system it almost looks as if we're making the consumers who are buying and selling land pay for the resurveying of Ontario. From a practical viewpoint, the survey requirements you set out in your rules and regulations are much more stringent now than they were five, 10, 20 or 25 years ago. They're becoming more and more pronounced etc. Would it be correct to say that consumers are paying to resurvey the properties of Ontario so that we can go into this new landholding system?

Ms Lang: I think Jennifer is prepared to answer that question.

Ms Smout: I'm not prepared to speak in great detail about the ministry's regulations, but the automation of the land registration records does not require a survey to be done. In fact, when the records are automated and put into the new electronic system, I think it makes the whole system more accessible to the public and actually makes the cost easier for the public to bear than a system that does not.

For instance, I brought a search of title with me today. This was a registry division property. It has 41 documents that had to be pulled, reviewed and copied. The

purchase price of the property itself was only about \$90,000, and the search alone was over \$300—just the search. If this property had been automated and in the automated system, you could have very easily determined the owner based on the ministry's certification right on the top of the sheet you pull off the electronic system. It's very easy to do. You don't have to be a lawyer to do it. The public can do that. As well, you probably would have had to look at about eight documents, from my reading of the search.

Mr Gerretsen: Right.

Ms Smout: But the survey requirements, in terms of what you're talking about, for registered plans of subdivisions and registered plans of condominiums—the bulk of transactions that would still be done on the system would not require a survey or reference plan.

Mr Gerretsen: You put your finger right on it when you said that the ministry in effect certifies that title once it's in the system. The question I have of you, Deputy, is, is that what you're paying Teranet for, to in effect certify those titles once they go into the system? Obviously in order for somebody to certify it to you, they would have to pull those 41 documents so that you know the conditions, exceptions and parameters of that certification to you.

Ms Lang: I'm going to ask Mr Roote to respond to that.

Mr Roote: It is true that quality control reviews are done, both by Teranet and by the ministry. One of the things we are looking at in the future is that one of the models could contemplate relying upon the certified statements of the lawyer at the time the property is conveyed. There are some practices now that we want to review to see whether they should be continued in the future. But right now we do a quality assurance to verify the accuracy of the information before it's put into the automated system.

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Mr Gerretsen: That leads me to the next set of questions. The auditor makes a statement on page 69 in his review of this contract—and by the way, thank you very much for the summaries of the individual agreements you provided us. Would you be prepared to table the actual agreements, such as the master agreement, the shareholders' agreement, the implementation and operation agreement and licence agreement, with the committee?

Mr Roote: If you so desire.

Mr Gerretsen: I'd request that be done, Mr Chair. He makes the statement, "We did not rely on the work of the ministry's internal audit services because they had not conducted any recent work that was relevant to our review." Do you not have an internal auditing process in place whereby your agreement with Teranet, which has escalated from a cost of \$235 million to over \$1 billion over the last eight, nine years—an internal audit review system, so that you know what you're being charged for and all the auditing that's required to make sure that happens?

Ms Lang: We have an internal audit branch inside the ministry. But before I comment on it, I want to correct the record. We have not spent \$1 billion. We do not intend to spend \$1 billion. I think it's important to understand that the government costs to date have been somewhere in the order of \$235 million. It's really important that the committee understand that the number that was alluded to of \$1 billion is a highly speculative number and one we do not agree with.

Mr Gerretsen: But it's a number the auditor says it's going to cost if you run this program to the conclusion.

Ms Lang: I think it's one the auditor replayed as a result of a review we had conducted by a consulting firm that gave a worst-case scenario. If all of the processes that were in place at the moment were to continue on the same path and in the same time frame, it may cost up to \$1 billion, but we were well ahead of that happening. We initiated the review way back, a year and a bit ago, because we wanted to ensure the going-forward strategy was in fact going to be one where we could fiscally defend the expenditure of money to complete the initiative. There has been no commitment or agreement to proceed with any initiative that would cost \$1 billion.

Mr Gerretsen: I'm just trying to get a better handle on that. You've got this contract with Teranet that was tendered for, I take it, back in 1991, according to your own handout. I get the impression that we're so far into the system now that you can't really withdraw from it without the system, the way we envision it whereby every property is in this system, being completed. Have we gone so far into it that we've reached a point of no return and have to go along with Teranet whether we like it or not, or else we will have wasted the \$235 million or we won't get the whole province into that system? Have we reached that point?

Ms Lang: If you look at the contracts, you'll discover the province does have some options should we decide to terminate our relationship with Teranet. But as I said earlier this morning, we've had a very good relationship with that company and we're quite pleased with the success they've achieved to date. It's been a very innovative initiative and I think something that was started way back in the mid-1980s, with a genuine foresight for trying to do something to benefit consumers. I'm not sure at this point in time that we would be able to justify to the public pulling out of the relationship with that company unless there were some serious problems we have yet to uncover.

Mr Gerretsen: Yet a few years ago, in 1999, Teranet provided the ministry with an estimate of over \$700 million to complete the project. That's Teranet's number, which is totally different from the \$235 million they quoted you six, seven years ago. A billion may be speculative, but \$700 million is Teranet's number. That's not speculative. They were saying that's what it's going to cost, as far as they were concerned, in April of last year. I realize you're not willing to pull the plug. On the other hand, the costs have gone at least triple or almost triple, according to their own numbers. We're stuck with them

whether we like it or not. What I would like to know is, what assurances are there in the contracts or within the ministry that these escalating costs, whatever the number is, whether it's \$700 million or \$1 billion, aren't going to go sky-high again? What kinds of mechanisms have you put in place to not allow that to happen?

Ms Lang: I'm going to ask David to take that question.

Mr Roote: Perhaps just to put things in context again, the \$275 million was a figure identified by Teranet that the auditor picked up in his report. The \$275 million was not an all-in number. As I mentioned this morning, the all-in number, with all of the additional features, was closer to \$400 million, which would put it, in the context of today's dollars, at about half a billion dollars. Even based on the government's original estimates if it had done the project itself, the cost would have been about \$600 million, which in today's estimate and today's present value of dollars would be over \$700 million. I'm trying to keep things in a context to say that this project has not overrun with regard to its cost. These costs that we've incurred to date are in keeping with what was originally contemplated at the beginning of the project.

It is true we are looking at the go-forward position. We are very interested in maintaining best value for taxpayers and finding innovative solutions to continue the project and complete it. We have worked up some models with the company. The company's estimates were based on figures as they knew them at the time. The costs in Toronto are somewhat lower than they had originally contemplated, so the numbers have changed, but the context for the numbers is not \$275 million. It wasn't that at the beginning. The \$1-billion figure is a scenario we're not pursuing and the other costs are more along the line of what we've actually experienced to date.

Mr Gerretsen: But do you agree it is \$700 million as of April 1999?

Mr Roote: That's Teranet's estimate. That would be based on continuing to do things the way we are doing them now. We want to look at other ways in which those costs could be reduced and still provide best value for the taxpayer and still get the benefits out of the original project that we've undertaken with them.

The Vice-Chair: Excuse me. Would the auditor's staff want to make a comment?

Mr Andrew Cheung: The comment I have is, we're not sure of the source of the \$400 million or the \$625 million that you refer to. The number we get, the \$275 million, is obtained directly from the Management Board submission in 1991. As far as we know, we don't see another number beyond the \$275 million in that submission, and it's anticipated over an eight-year period, the \$275 million.

Mr Roote: I'm sorry, Andrew; I didn't catch that.

Mr Cheung: The \$275 million is the only number we have seen so far in the Management Board submission of 1991.

Mr Roote: We've gone back and looked at the original closing documents that were part of the deal. The

figures in there were about \$404 million, of which the \$275 million was a piece. We've also looked at original documents that estimated that had the government undertaken this project itself, that would have been in the order of about \$620 million.

Mr Cheung: But what is the number approved by Management Board?

Mr Roote: Those were numbers taken from the Management Board submission.

Mr Cheung: But the only number we see, as I said, in the submission is \$275 million.

Mr Roote: Which submission?

Mr Cheung: The Management Board submission.

Mr Roote: The Management Board submission, in original documents that we have, has information that uses those other numbers as well.

Mr Peters: Mr Roote, I find it a little bit difficult to understand this line of argument at the moment because our report was sent to your ministry for factual clearance. Therefore, the \$275 million was factually cleared by your ministry. I find it a little bit difficult to comprehend why in an open hearing now this number is challenged when you had plenty of opportunity to challenge it when we wrote our report.

Mr Roote: The number was factually correct according to the numbers that were provided by Teranet. What we've done is gone back and looked at all the original documents that were developed at the time the deal was being prepared, and that's where these numbers come from.

Mr Peters: Sorry. Why did you not pay us the courtesy, as an office, to advise of these numbers when we cleared the report with you?

Mr Roote: We didn't have access to those numbers at that time. We've gone back and found the original documents that were part of this arrangement, and that's where those numbers are found.

Mr Peters: OK.

Mr Gerretsen: I find it rather curious that, according to the president of Teranet Land Information Services—this is a direct quote from him—"It has been known for many years that this would be much more expensive than we thought, only because the work has been much harder." Do you agree with that assessment?

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Mr Roote: The reasons for the change in the project from its original inception—you have to remember that in 1991, when the deal was signed, there was an assumption about the amount of money that would be transferred to the company as a result of the real estate market at that time. As you also recall, in the early 1990s there was a very significant economic downturn which changed that assumption. The registration volumes declined from about 1.9 million to about 1.1 million. That reduced the funding available to Teranet to continue on the project, so they borrowed money. They had a credit line. Money was borrowed through a credit facility and now they have the bond debenture. That has increased the costs as a

result of the changing economic times and the changing times of the project and how fast it was being completed.

Mr Gerretsen: Just a couple of other questions. How much time do I have?

The Vice-Chair: You've got eight minutes.

Mr Gerretsen: I understand that only 17 of the 55 registry offices we have in Ontario are presently on-line. Can you give us any projected timeline when the remainder will be on-line or how many will go on-line, let's say, within the next two years, five years?

Mr Roote: When you say "on-line," do you mean with electronic registration?

Mr Gerretsen: Yes.

Mr Roote: We have a couple more coming out this year. The schedule calls us to be in a couple of other jurisdictions this fall. We are continuing to automate in Toronto. That's where most of the work is being done right now, in Toronto and Simcoe county. So there is ongoing work being done in those areas. There are a number of smaller offices which don't have automation at this point. We have about 70% of the properties automated in Ontario now and about 64% of the properties converted to titles from registry.

Mr Gerretsen: Just following up on something the minister said this morning, these are basically in parts of the province where, let's say, we have had subdivisions since the Second World War, and condominiums. The real problems are with the unsurveyed properties in many of the rural areas, particularly in eastern Ontario, in which a land holding system goes back, I suppose, almost a couple of hundred years. Do you agree with that?

Mr Roote: That's correct.

Mr Gerretsen: Would you agree it may take as long as 30 years to get every property in the province on-line?

Mr Roote: It depends on what approach we use to complete the conversion. Right now, the way the project works is that they go into an area and they do it according to the blocks of properties in that area. What the minister was mentioning this morning with regard to that time frame would be on the basis that if you automated and converted the property to titles at the time it was being conveyed on a transaction basis, and because of the turnover rate of the properties being different in different parts of the province, that's what that time related to.

Mr Gerretsen: When we're saying that the properties are on-line, are we talking about the fact that they have PINs, property identification numbers, or are we talking about something other than that?

Mr Roote: All the properties that are in land titles would have property identification numbers.

Mr Gerretsen: Right, and there are many in the registry system as well now.

Mr Roote: That are automated; that's correct.

Mr Gerretsen: When we're talking about the fact that—what is it?—32% are not as yet automated, would that mean that 32% of the properties in Ontario do not have a PIN number?

Mr Roote: If they're in registry, they wouldn't have a PIN number.

Mr Gerretsen: And if they're in land titles, they would because of the land titles process.

Mr Roote: It identifies a specific parcel.

Mr Gerretsen: I wonder if you could just explain to me what processes you have in place currently, then, or what you will put in place to ensure that whatever the cost overrun, it will not escalate to the same extent it has over the last six or seven years. What internal processes have you put in place to in effect make Teranet more accountable?

Ms Lang: I'm going to ask Sue Corke, who is our ADM for policy, to take that question.

Ms Sue Corke: We have two relationships with Teranet in the ministry—one is the shareholder relationship and one is the client relationship—with regard to automation and conversion. In the past, we have actually managed those two relationships in the same way, if you like. Just in the last six months we've undergone a re-organization in the ministry. We've set in place a new sector liaison branch, and the purpose of that branch will be to put in place some embedded and systematic approaches toward governance, performance management and accountability. The financial accountability will become part of that.

We're just currently staffing up for that at the moment. I think we're probably in a really good position to do that because, over the last 10 years in the ministry, we've had a lot of experience with working in a sort of performance management and governance fashion with other organizations. I am on four other boards of directors. I have had a lot of experience now with governance in this sort of arrangement. I feel fairly certain we can put in place a series of structures and a series of regular liaison meetings—meetings with the board of directors of Teranet, the provincial board members, regular annual strategic planning sessions with the provincial members, those kinds of things—so that we can get a much better grip. We'll have a full-time financial analyst on the staff of the new branch, and I think we will be able to manage that in a very good, systematic way.

Mr Gerretsen: Those are all the questions.

The Vice-Chair: No more questions? OK. We'll move on to the NDP's half-hour.

Ms Martel: I wanted to return to the worst-case scenario of the \$1-billion estimate which came from the consultant. Deputy, you said you disagreed with that estimate because it really emphasized the worst-case scenario. I was wondering if you could outline to the committee what that worst-case scenario was.

Ms Lang: David may have to help me here, but my understanding of that scenario would be that we would continue to process the conversion of the properties, particularly the ones in registry that are quite problematic, in the time frame, and it would require significantly more staffing to come in and be able to do that in a way that could achieve the milestone of 2003 and 2004. Because we've had the experience to date and have discovered the difficulty of doing the work in the registry part of the government system, we recognize that may not be a cost-

effective way of doing business. I think the estimate was based on, if you were to take all of the remaining properties with all of the complications and all of the problems associated with the automation and conversion and do it at lightning speed over the next two or three years, it could potentially cost up to \$1 billion.

Ms Martel: Because you have to hire so many more staff in order to do that. Teranet has about 800 staff of its own directly employed by Teranet. How many staff does the ministry have to support this project?

Mr Roote: We have a very small unit right now and that's, in Ms Corke's remarks, to add some additional strength to the ministry from a government and oversight capacity. We only have a few staff. In my office I have a couple of staff who are involved in doing the strategic liaison review with the company and maintaining relations with the company, but we're now looking to strengthen that capacity inside the ministry.

Ms Martel: So the people involved directly in the conversion are Teranet staff; they are not ministry staff?

Mr Roote: That's correct.

Ms Martel: Were they ministry staff at the time the conversion took place and were transferred to Teranet?

Mr Roote: Yes. A number of them were. A number of them did go to the company.

Ms Lang: A significant portion of them, a high percentage.

Ms Martel: The second question has to do with Teranet's estimate of \$700 million as a project cost. I'm assuming that's total cost, not an additional cost over and above the \$300 million they've estimated they've already spent.

Mr Roote: That's correct.

Ms Martel: You said in reply to earlier questions that that was probably a fair assessment in terms of costs.

Mr Roote: I would think in today's environment probably not, because when those cost estimates were made they weren't very far into Toronto as a jurisdiction to do. To date, they've done a fair amount in Toronto, and the estimates to complete Toronto are substantially lower than they had originally thought when they started out. I would suggest that those costs probably would be modified somewhat.

Ms Martel: Do you have any idea what the modification would be, since these were costs that came out in September 1999, I believe?

Mr Roote: I don't have them with me, but certainly we could review that.

Ms Martel: Just so I'm clear, what was Teranet basing those costs on? Can you give us all of the components?

Mr Roote: Looking at what they call the "cost per PIN" or "minutes per PIN" in order to do that. Where their estimation varied was from one jurisdiction to another; the minutes per PIN could vary quite substantially. They had what they were looking at with the remaining properties in the province times the average minute per PIN or range of minutes per PIN, and they then would add in their carrying costs for their debt

financing through the bonds, and any other capital depreciation would be part of the project itself.

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Ms Martel: Does the ministry feel confident that all the remaining properties have been identified? That was one of the arguments that Mr Kaplanis made, that 25% of the properties were unknown at the time the project started.

Mr Roote: The way in which properties are known is, in the registry system we don't identify individual parcels, and when it comes into land titles, we do. But in the registry system we have pieces of land. We also work with the Ontario Property Assessment Corp, which determines the number of assessable units for property tax purposes to get a good approximation of the number of properties, but we don't have a precise number. Of course, the properties are growing each year too because of subdivisions and condos.

Ms Martel: So right now you're working with about 4.7 million?

Mr Roote: About 4.3 million to 4.5 million is what we estimate.

Ms Martel: At the same time that Teranet gave the estimate of the \$700-million project cost, they also projected a completion date of 2010. I'm going to assume that was based on no new staff being hired and continuing the work with their current staff. Was there anything else that they factored in to arrive at that completion date?

Mr Roote: Looking at continued streamlining, where we could have the streamlining the ministry has with the company over the years for the procedures to do the implementation, by and large it was go forward based on where we are today.

Ms Martel: I'm not sure I understand what you mean by "continued streamlining," Mr Roote.

Mr Roote: We looked at ways in which we could modify the procedures to try and make them more streamlined than they are today, and we've had various initiatives with the company to look at ways we could do that. But our bottom line from the ministry standpoint is to ensure that we have quality of records, we have integrity of the system and we have public confidence in the system. We've worked with them, but those are the principles that we continue to operate with. But we're always looking at more efficient ways of do it, if they're possible.

Ms Martel: The 2010 completion date was Teranet's. Does the ministry agree with that, disagree with that? You disagree with the \$1-billion cost and you've explained that. What's your position on that completion date and why?

Mr Roote: The completion date will be a product of what we decide to do on a go-forward basis. Those are the models we're looking at now. So the 2010 figure is not something the ministry agrees with. We are looking for the most cost-effective way and best value for taxpayers to complete the project.

Ms Martel: How does the cancellation of the subcontractor affect that completion date? As I understood you in response to an earlier question, the work is being done in-house now. But as a result of that occurring, there was quite a dramatic drop in the number of properties that could be registered per month. Can you tell the committee how many properties are now being registered per month, and is it Teranet's position to just continue to do the work in-house, and what does that do to the completion date?

Mr Roote: As we understand it now, they are going forward on their staff complement. I think they're automating—I'll just have to check—about 15,000 properties a month.

Ms Martel: And they were doing about 23,000 before, with the subcontractor?

Mr Roote: That sounds about right.

Ms Martel: Because this happened after they gave you an estimate of their completion date, which was 2010, have they changed their completion date now based on doing this work in-house and knowing that they are not registering as many properties per month as they used to be?

Mr Roote: No. The 2010 figure is based on their current workforce.

Ms Martel: Did they revise it a second time? As I understood the timeline, they originally told you in September 1999 that it would take up to 2010, and then the subcontractor was lost in December 1999.

Mr Roote: But I think the decision had been reached at the company level that they would be continuing on without the subcontractor. So those numbers assume their absence.

Ms Martel: They had already projected that in because they knew they were going to get rid of them?

Mr Roote: Yes.

Ms Martel: All right. The consultant also said in his report that the cost to convert the remaining—he used the figure 1.8 million—properties using the existing workflows would exceed the revenues. Do you know what the cost is that will exceed the revenues, what the consultant projected that to be?

Mr Roote: The consultant didn't project figures. The consultant took figures provided by the company and put them in the report. If you look at the costs incurred to date by the company of roughly \$300 million, then the balance would be associated with the remaining properties; the balance of their projection would be associated with the properties still to be done. Why that was considered to be uneconomic was that the turnover rate in those rural areas is not as frequent as it is in the urban areas. As a result, because they would only get fees when the property is conveyed, the amount of revenue would be much lower than in an urban environment, where they turn over more rapidly.

Ms Martel: The cost was never identified by the auditor in terms of whatever the consultant had said. Is that a public figure?

Mr Roote: The auditor's cost estimates were based on information provided by the company.

Ms Martel: I'm sorry if I'm not making myself clear. Of the bullet points that were highlighted by the auditor, in terms of what the consultant said, the one I'm interested in talked about, "The cost to convert the remaining 1.8 million ... exceeds the anticipated revenues from conversion." But the auditor didn't outline a cost there, as I see it. So is that a public figure?

Mr Roote: I would say that if you took the costs to date that the company has incurred to do the properties it has done—

Ms Martel: Which is \$300 million.

Mr Roote: —and then subtracted that from the various cost estimates, that would be the cost to do the remaining properties.

Ms Martel: So it could be \$1 billion minus \$300 million or it could be \$700 million minus \$300 million? Is that what you're saying?

Mr Roote: The most recent one would be \$700 million.

Ms Martel: So about a \$400-million shortfall?

Mr Roote: A \$400-million cost based on that analysis.

Ms Martel: In that respect, Teranet issued about \$280 million worth of bonds, and this was for two things: one, to pay down debt, and another, I assume, to put aside money for future costs. Do you have a breakdown of how much was set aside to pay debts and how much of that \$280 million was for future costs?

Mr Roote: Because Teranet is a private company, I really can't provide you with the figures on that breakdown basis.

Ms Martel: Let me tell you what I'm concerned about and maybe you can give me some confidence that this is all right. Depending on what that breakdown was, Teranet may or may not have recovered enough of that \$400 million for their future costs. Perhaps they are going to obtain that money in a different way to make up that difference. So what I am wondering about is, where is that \$400 million going to come from if their costs work out to be about \$700 million? Is it an ongoing stream that is part of the contract? Is it a portion of that plus a portion of what they got from the bonds?

Mr Roote: Yes. The bond money would provide money, in addition to the monies transferred from the ministry, for registrations against automated properties. So there would continue to be revenue provided to the company through the registration process for fees.

Ms Martel: Can you tell us what that revenue stream is on an annual basis? I understand that it fluctuates, depending on properties, but is there an average?

Mr Roote: I'll give it to you in a second.

Ms Lang: While David is getting that number for you, Ms Martel, I'd like to clarify that the \$400-million cost assumes that we would continue doing what we're doing the way we're doing it. I think that's subject to our thinking about whether there are other options. I don't want to leave the committee with the impression that

we've committed ourselves to spend another \$400 million, because we haven't done that yet.

Ms Martel: I appreciate that, Deputy. A little bit further in the questions I want to ask you some more questions about the review, because it wasn't clear to me where all of that is heading.

Mr Roote: We're still checking.

Mr Peters: Just in between, you can probably provide Ms Martel with that number because what the \$280 million was raised for must come from the offering document that Teranet put out in the open market. That's an open document and that should contain the information as to how much money they needed to pay off existing debt and how much money that provided for the future of the project.

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Mr Roote: The bond was a private placement.

Mr Peters: Why does it have a Standard and Poor's rating? They must have gotten at this information somehow.

Mr Roote: The Standard and Poor's rating doesn't disclose all of the material—

Mr Peters: I realize it doesn't, but with the bond now being rated and being publicly traded, does that mean the offering document is confidential?

Mr Roote: Because it was a private placement with institutional investors, it wasn't offered for public acceptance or public involvement the way it would have been for other types of instruments.

Mr Peters: OK.

Mr Roote: For the year 1999-2000 the revenue transfer would have been \$47 million, and we would have then recovered royalties against that.

Ms Martel: What were the royalties recovered against that?

Mr Roote: I think they were in the order of about \$12 million.

Ms Martel: So would you say that you feel confident that between the revenue that comes in on an ongoing basis as the project proceeds, plus whatever money was set aside through the bond offering, Teranet would not have a problem coming up with another \$400 million if at the end of the day that was the rest of the money that was necessary to complete this project?

Mr Roote: I think that's a reasonable statement. I think the early indications we have from the financial advisors retained by SuperBuild suggest that their financial position is solid in that area.

Ms Martel: Can I ask then about the review? Deputy, you mentioned it earlier and it actually caught us by surprise because we had nothing in our briefing documents to indicate that there was a second review going on. So I wonder if you can give us a bit of information about it, ie, when it began, what was the nature of the reference to SuperBuild and also terms of reference, if you can outline them to us, if they exist.

Ms Lang: Let me start back to early 1999, when we retained Andersen to do the first review and that was concluded. As a result of that review, we started an

exercise with SuperBuild in the spring of last year to begin to take a look at what are the legal financial risks and issues associated with the current contractual relationships with the company. Over the course of the summer and into the autumn, the terms of reference were narrowed down and there was an offering that went out on an RFP to retain the consultants. Those consultants have been brought on board this autumn, some prior to Christmas, some just post the holiday season. They are in the company now doing the necessary financial technical and legal review.

At the same time, ministry staff were working very much with the company on looking at operational options that might be worth looking to the future for in terms of different ways of completing the conversion and are there some models that are worthy of pursuit that aren't going to cost the kinds of dollars that the company's estimates are currently reflecting?

So we've had the benefit of some thinking with the company. We've had the opportunity to investigate ways in which things are being done in other provinces. The minister alluded this morning, I think, to the notion that there are other jurisdictions that are looking at transaction-based approaches to complete their conversion and their automation. We've explored those and we are using those kinds of options with the SuperBuild advisors to help us determine what might be the most practical, convenient and prudent way to proceed, ensuring that we maintain the integrity of the land registration system, but we also do it in a way that's fiscally responsible.

My hope would be that the conclusion to those kinds of reviews and analyses will happen this spring and then we will be making some determinations and moving forward with the government's support in a plan of action.

Ms Martel: So the outside consultants are looking both at Teranet's structure now—legal, financial etc—and how valid some of the options would be in terms of being workable, being economical and getting the project done on time, high quality—both sets of things.

Ms Lang: In a way that makes the most sense, yes. I think it's the most practical solution to getting the project completed in a way that's going to be responsible.

Ms Martel: You said earlier, when you were questioned about the \$1 billion and did you agree with it, that the ministry—I thought you said—had implemented some changes to avoid exactly that scenario. Can you describe what you meant by that?

Ms Lang: No, I indicated the ministry hasn't accepted that scenario and hasn't accepted that costing. That's based on the earlier assumptions that I referred to, that the company would have to staff up significantly to complete the detail work of particularly the registry properties.

Ms Martel: So the changes that have been made, in looking at the \$1 billion and the completion date of when to work with SuperBuild to get the outside expertise to look at Teranet and to work with Teranet—and also Ms

Corke talked about the sector liaison branch we well, which I assume is to have some increased monitoring.

Ms Corke: It's basically to systematize, if you like, the relationship that we have with Teranet. We had an excellent working relationship over the years, but I think what we'd like to do now is put a little more into it. We have some experience, as I said before. The sector liaison branch will have some other responsibilities besides creating that oversight relationship with Teranet, so it's not entirely devoted to that. But it will give us some opportunity to know more on a regular basis about these kinds of things and to participate at the appropriate moments in the right decisions.

Ms Martel: Are the terms of reference for that committee public?

Ms Corke: What I was talking about was the sector liaison branch. It's a staff activity. We do have to do some, I wouldn't say terms of reference, but perhaps a business plan. That's very new. We've only been under-way about—actually I've been six days on that particular job, although we restructured a little earlier.

So yes, we do have to do that in a formal way. We also have to, of course, talk to Teranet about how we can have some regular weekly relationships with them or regular monthly liaison meetings with them and the kind of financial discussions that we should be having when the SuperBuild report is done.

Ms Martel: What was the nature of the relationship previously? There was a board of directors. Mr Roote, I gather that's a new position for you because there was not a non-voting government member attached to the board before.

Mr Roote: That's correct. The suggestion was that we have our four provincial appointees at the board, but to give greater presence to the ministry and to the provincial interest directly it was suggested that we have an ex officio or non-voting member at the board, and I've served in that capacity now for the last six months or so.

Ms Martel: Does the board meet once every month?

Mr Roote: No. It does meet once a month now as they get ready for their budget year, but the board generally meets about six or seven times a year.

Ms Martel: Deputy, is it possible for the committee to have the terms of reference that were used for the selection of the consultants working with SuperBuild? Is that a public document?

Mr Roote: It was a public tender to acquire both the legal and financial advisors that SuperBuild acquired, so yes, it's a public document.

Ms Martel: That would be great. Thank you.

Mrs Munro: I wanted to first of all thank Ms Smout for coming and talking about your perspective because I raised it earlier today. I think that given that we're looking at the change to providing a service, to be able to hear something of your experiences gives us a sense of exactly what the changes are and how they should affect the service that we want at the end of the day.

I just wondered if in your experience, because of the fact that you were in a jurisdiction where this was a pilot,

you brought with you some documentation to give us some example, and I wondered if you could give us further example or demonstration of the kind of experience you've had in being able to compare between an automated and a non-automated system and the kind of thing that means for both you in a professional sense but also for the people who want to see these transactions take place, that is, the citizens of the province.

1430

Ms Smout: The one thing I would like to add before I start is that I began my career in 1986 in London, and at that time the registry office had not been converted; it was entirely registry. So I have grown up through two different systems, from the paper registration to the conversion to now electronic registration, and I'm still here, so that's good. I never thought at this stage in my career I'd start to feel old, but I guess that just goes with the turf.

I have also worked very closely on this system because our office tested the products for the ministry as they came out, and that was everything from electronic searching on your desktop right up to electronic registration. So I've seen this program in many different shapes and forms as it is today.

There are four benefits to this system that I think are almost immeasurable. The first is that it reduces the complexity. I talked before about the volumes of work that may need to be done in registry. When you reduce complexity, you reduce error. When you reduce error, everyone wins—the lawyers win, the public wins, the municipality wins—because if you can get that information fast and accurately, that's a good thing for everyone. It makes the system more accessible because, with the automated system, non-lawyers can actually look at the material and often determine what they need to know. In the registry system that may not always be the case. We have a number of people in our corporation who are non-lawyers who are able to get title information on their own without having to come through the legal department. That is an advantage.

The other benefit is that the costs do go down because as the volume of material you need to do to look at a search is reduced, that brings the cost down. If you have to look at and pull and copy and review 40 documents as opposed to six, seven or eight, of course the costs will be different. Or, if you are retaining an agent to do that for you, then the costs would be different. You don't have to do as many different types of searches in the automated system as well, and that reduces the costs significantly in some cases; on the executions, for instance.

The other thing is that the system is accurate and it also has the certification, and you can put in your PIN, address and name of the owner and get this information right back. That, of course, goes back to reducing the error.

The last thing is that it's really accessible, and that's been greatly enhanced with the electronic system, because you can have it on your desktop if you want or use the system at the registry office. It isn't as cumbersome

as the paper system, so you can go in there as a member of the public, put the information you need into the computer as a layperson and get that information back in a format that you can understand, which is a nice benefit for everyone. It also provides more options for the way you use this information. In the registry system you need a lot and a plan in order to get your information. In this automated system you can search by the name of the owner, by the municipal address, in some instances, you can search by lot and plan, of course, if you want, or with that PIN number that we talked about, or you can even look at a map, point to your property and pull the information up. That makes the system more versatile and provides more uses for the public at large than the current paper system does.

When you go back from this system, when you're dealing with a paper system—and recently I had to do that: move from this system and go back to the registry system. We were working on the transfer of the pipeline from Lake Huron down to London. When you have to go back to that system—you have to start sifting through these volumes of documents, looking through these big abstract pages that are all written out by hand in some instances, depending on how far back you're going—it's very cumbersome. When you can't be doing that work right off your desktop, you really notice the difference. In an environment where we're doing everything at home, from on-line banking to shopping and whatever else we use your computer for, this type of system has immeasurable benefits for how we're going to interact in the business world today, and it's very good for the public in that respect.

Mrs Munro: One other question that I think is better directed to the deputy, since we're coming to winding down in terms of this particular opportunity: it seems to me appropriate to really zero in on, as we look at this problem as a committee, the kinds of dynamics that have changed from the original inception, say, in 1991, to what we're able to provide today. I just wondered if you could choose a couple of key things that you see, because I think that's why we find ourselves in the situation that we're looking at today, where the landscape, if you like, has changed and yet we're looking at numbers that started out in 1991 but now we're looking at quite a different landscape. I just wondered if you could provide us with a couple of key ideas that you think demonstrate how that landscape has changed.

Ms Lang: First of all, we've learned a lot. I think the important part of the experience for us, and certainly for us to pass on to others who succeed us, is that there have been a lot of lessons learned. We've learned a lot about working with the private sector and have seen the way technology can change the nature of business and how business gets done, particularly as it relates to providing service to the public.

As the minister alluded to much earlier today, historically the system was set up in a very legalistic, paper-based world. When I visit the land registry offices I'm always amazed at the amount of paper and the incredible

history that exists in those offices, and that you do in fact have to employ lawyers in order to help you complete your transactions. We've learned over the course of this initiative and other initiatives that technology can make an incredible difference in how business gets done, how we support the public, how we can provide services to the public and how we can streamline the way the role the government plays in trying to be guardians of registration of land or property, or whatever our particular responsibilities are, can give us a whole lot more confidence, a whole lot more assurance and a whole lot more comfort that the work we're carrying on is going to be done accurately, with appropriate kinds of checks and balances in place.

The other thing we've learned is that there is probably no end to the future potential of this system, as we've seen the value of technology, the mapping expertise. I don't really think we know yet the degree to which the kinds of data and the ability to manipulate the data and use geographic information systems and other kinds of technology are going to benefit the public, how that might benefit the company and how it will benefit the government. I don't think we have any real appreciation yet. I think the world is wide open to us in that respect, which then speaks to the potential benefit for this kind of system to be marketed in other jurisdictions. One of the original objectives for setting up this relationship with the private company was to try to find ways in which we could develop value-added businesses, that in addition to doing the kind of conversion and title we could also then explore, in collaboration with the company as a shareholder, other ways in which their expertise and their technology could be marketed, and the return on the investment would then begin to come back to the shareholders.

I think I've articulated more than two, but I think there is a real story here that is worth sharing with others. We've had some need to take stock every once in a while along the road, but I think it's worth travelling down that road some more, because I do think it's going to take us to a place where we can feel very confident that the kinds of services that are being provided to our public, consumers, are in fact the kinds of services they deserve.

1440

Mr Maves: Earlier the minister had mentioned the number \$75 million, some savings that had been generated through the ministry. Over what time period were those savings generated?

Ms Lang: That's been over the life of the initiative, as I understand it, from the time it was signed in 1991 till current in terms of staff reductions.

Mr Maves: If it did take until 2010, would it be safe to say we'd save another \$75 million over that period?

Ms Lang: It would probably depend on how we move forward, but part of our thinking is that there may be additional savings. With electronic registration it obviously, as Jennifer alluded to earlier, cuts down on time and cuts down on manual checking and that sort of thing. So there may be further reductions we'll see over the next several years.

Mr Maves: Then, once the system is fully in place, some of those savings become perpetual, I guess.

Ms Lang: I suspect we then would be into a mode of continuous improvement and using whatever technology may be out there that's changing our world daily.

Ms Mushinski: Just one question, and it stems back to what Mr Gerretsen was asking earlier. It's something that really has concerned me. It seems that any time we move toward new technologies and new communication systems, we're always given the promise of savings for the customer, and I guess we make all these government decisions, clearly, to save money for the customer. The minister made a statement this morning that in terms of this particular service, the cost has at least remained stable since the early 1970s, and this particular system actually saves the customer money. My question really is, has it saved in other ways? It seems to me that when I was on a municipal council, a lot of administrative costs were spent on applying for a building permit, for example, and part of applying for the building permit of course was to ensure that the land was properly owned etc. Does this particular system save money in terms of other functions like building permit applications, and has any study been done on how those savings are passed on to the consumer?

Ms Lang: Sue, perhaps you could comment on that, and then we'll turn it over to Jennifer, because I think she would like to make some comments as well.

Ms Corke: Mine is probably less of a direct comment on that, but just to say, getting to part of your point, that Teranet actually is part of a consortium that won a recent contract to do some work on a construction permit initiative, just to talk to that particular issue. I'm not able to answer the question about whether there are savings there; it's too soon for me to say in that particular thing. But I thought it was interesting that you mentioned that as they are actually involved in that kind of work.

Ms Smout: I have a short answer and a long answer, so I'll give you the in-between. How about that?

Ms Mushinski: It was a fairly long question.

Ms Smout: I have looked at some of our statistics and I think you have to appreciate that the volume of work I do in my practice depends on what is actually being done that year by my council, as my client. This year we're anticipating a much higher volume because we are purchasing lands and expropriating properties for a large road project, so that will be a higher project. After annexation, and I know as a result of restructuring, in many municipalities they have to do a recataloguing and renaming of their streets to avoid two streets with the same name and those types of things. On our annexation, there were I think over 150 names that we had to change. All that had to be registered. The volumes fluctuate from year to year, so you have to be very careful in how you look at those figures.

Last year, on what I call one-party documents, documents that were initiated at my end by my council, us alone, that didn't involve another party, I did over 124 of those and I did all but three of them personally. That

was from March 7, which was the mandatory date in Middlesex, up until about the middle of last week, so that's not quite a full year. Of those, I have two options to do those in the paper system. One option is to give that to a conveyancer to register those, in which case I would have to physically have someone walk it down to the registry office, or courier it and pay a courier charge; I would have to have someone physically walk down there or have it re-couriered back to me in the paper document system; and I would pay them a fee to register that. That might be anywhere from \$20 to \$40, depending on what services they would be doing for me. Then the registration fee is on top of that.

These documents I can now do in my office, on my desktop, within minutes. It's very simple for me to do them. They're very quick. I was anticipating a large increase in my workload, but I haven't seen that as of yet with this volume that I experienced last year. So if you look at 124 at anywhere from \$20 to \$40 a pop, that's significant.

There's also what I would call a softer cost, which people don't have good figures on, and we're in the process of exploring what those savings are. If you are physically taking someone out of their office, putting them in a vehicle, sending them to the registry office, paying their mileage, for instance—because in some areas the registry office isn't down the street or next door. We're lucky in London; it's maybe a 15-minute walk or so. But in other areas it's further, so you have to send them down there, pay for their parking if they have to park there, if that's applicable, plus the time that they're there and out of the office. But you can do some of those functions right off your desktop within seconds. So many of the people, for instance, in our building division have enjoyed having that service on their desktop, because they're able to get that information more quickly and they believe there is a savings. We're undertaking looking at that and we'd be happy to share that.

I should probably punctuate as well that the system is fairly new in London, even though it has been running for a year. When you have new technology, new systems and new regulations, it takes everybody a little while to make sure they're entirely comfortable with it. I'm changing a lot of my internal office procedures now to streamline things because I'm more comfortable with the system. Again, I think you're going to see that evolve as well.

Mr Gerretsen: I just have one series of questions, and that basically deals with this: I take it the properties that have been transferred are the easiest to transfer, that are either in land titles or in subdivisions that have been built after the Second World War. These are also the properties over which usually there's the least dispute and probably where title insurance is not required. If you stop the process now or go into a different system now, wouldn't you in effect leave aside that percentage of properties that probably need this new system more than the properties that are already in land titles and in subdivisions? Do you understand what I'm saying? They've obviously started

by transferring the easiest properties, but also the properties, with all due respect for Ms Smout, where you didn't have to pull more than four or five documents to find a clear route of title. The kinds of examples that she gave, where you have to pull 40 or 60 documents, are probably the properties that are not now included in the system. They're the 1.8 million properties that are outside the system. Why weren't instructions given to take the most difficult properties first? Because the properties that are already in land titles or in subdivisions since the Second World War probably needed the new system the least.

Ms Lang: The answer to that question is that was the original business model. The original business model was designed on the basis of moving as quickly as you could on the easiest properties so the revenue would be generated, so the company would have sufficient cash to continue proceeding with the conversion of other properties. So it was very much part of the original business model to do it that way. The experience, unfortunately, during the early 1990s was that we had a slowdown in the economy, as you're aware, and that created some difficulties in terms of the anticipated cash that was to go to the company, because I don't think we put that in the estimate. We didn't anticipate the same kind of economic slowdown as we experienced. But quite honestly it was the original business model to do it that way, and the company has adhered to the original business model.

1450

Mr Gerretsen: It seems to me that precisely the kind of titles that Ms Smout was referring to are probably the kind of titles that will remain in the old system for up to 30 years, if we take what the minister said here this morning, because those are the ones that are going to take a long time to convert and many searches and checks have to be done. So it almost seems to me that we're setting up a new system at quite an expense to the taxpayer in one way or another, or the consumer in one way or another, for properties that need the new system the least. I'm just wondering whether the taxpayer is well served by that.

Ms Lang: I hope so. I hope, in terms of our going-forward action plan, that will be very much part of the criteria for whatever approach we decide to take. If we moved into an approach where the minister made reference to the transaction-based model, then presumably you would want to ensure that as those transactions were occurring and we were converting, you were building in that kind of assurance and that kind of certainty for the consumer so that you wouldn't have this sort of situation that I think you were referring to occur as we move forward in trying to complete the initiative.

Ms Smout: Mr Chair, I think it's also fair to say that my understanding of the ministry's process is that you're converting on a county-by-county basis and working through the system. I think that what you get from one county to another will vary, and you'll have just as many—as we would refer to in our profession—dog's breakfast titles in London as you will in Chatham, as you

will in Sarnia, as you will in Windsor. So I don't think it's fair to say that what's being done are the easy ones. There are many that are just as bad.

Sometimes rural properties don't have as many documents as urban, or vice versa. So it's very difficult to make that general assumption on that basis. Even with subdivisions that may have been done after the Second World War, many of those were not in the land title system, they were in registry and required searching behind the subdivision plan, which again is often rather complex.

To be fair, when you're looking at each particular county you'll get some areas in that county or city that look good but just as many that look very bad.

Mr Peters: I just wanted to quickly, for the follow-up and just to help our researcher write the report a little bit better, follow up on the line of questioning that pertained to the year 2010 as a potential completion date. If I understand the answer correctly, the indication is that that is also a date you do not accept at this point? Would that be correct?

Ms Lang: That's correct.

Mr Peters: In relation to the numbers we were just given, if the 1.8 million records to be converted is the correct number, and if the current rate of conversion that you indicated is running at about 15,000 a month, that would put it at 120 months, which would put it into 2010-2011. Is it then the anticipation that in some of the scenarios you are developing there will be a more rapid rate of conversion, or is the 1.8 million in question? How do we deal with this?

Mr Roote: Based on the current count, Mr Peters, if we've done 3.1 million properties we have about 1.2 million left to go. It depends on what approach we might use. Mr Gerretsen's right: in a number of parts of the province, particularly in the east, all the properties are in registry, but also in the north there are a number of properties that currently in titles. They're not automated yet, but they're in land titles. There are different ways you could automate those than from the current process we're using with the company, but we'll be looking at a variety of those different things in order to make the best value decision for the taxpayer, but also to complete the project with its original objectives as much as we can too.

Mr Peters: In our report we talked about 2.5 million records at that time, and we dealt with a definition that was used in the implementation under the agreement, which was not only automated but also in the land registry system. I think in the business plan you used the three-million-record number, which I presume refers to the number of records automated but leaves 500,000 still to be put into the registry.

Mr Roote: The number of properties automated? Yes, that's correct.

Mr Peters: So when we talk about the number of 15,000 records a month, is that the number of records being automated or the number of records being automated and transferred to the land registry? I'm just wondering.

Mr Roote: The number of properties being automated.

Mr Peters: I see, so it's just the automation. And the outstanding then to the year 2010—so we would have to divide the 15,000 into 1.2 million, as one potential scenario.

Mr Roote: We would certainly be glad to work with you, because there are a number of variables in the way we'd have to calculate what the end point would be, based on how many properties are being automated. Some of those are being converted. It would vary according to where we are in the province.

Mr Peters: I just gave you one calculation that came from the information here, but just to help the committee

write the report, do you have any idea at this stage, other than 2010, how much earlier you could see this project being completed? In 2007, 2009?

Ms Lang: We're not in a position at the moment, Erik, to make that conclusive a statement.

Mr Peters: OK. Thank you.

The Vice-Chair: First of all, I'd like to thank the ministry staff, the witnesses, the committee staff and the auditor for making their views known. Hopefully some of the questions were answered. I guess there'll be more as things progress. Anyway, I guess we're ready to adjourn the meeting. Thank you.

The committee adjourned at 1457.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Tuesday 27 February 2001

Journal des débats (Hansard)

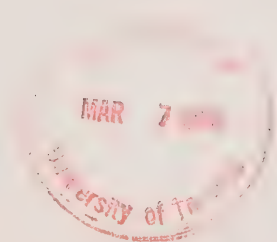
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Tuesday 27 February 2001

Mardi 27 février 2001

The committee met at 1033 in room 151, following a closed session.

SPECIAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF FINANCE

Consideration of chapter 4 (3.04), land transfer tax program.

The Chair (Mr John Gerretsen): I'd like to call this meeting to order. Welcome to everyone. Today we're dealing with the 2000 special report, section 3.04: the Office of the Provincial Auditor's report dealing with the land transfer tax program. It's a chapter 4 follow-up. I'd like to welcome Dr Bob Christie, the deputy minister, and the rest of your delegation. Maybe you could just introduce them.

Dr Bob Christie: Sure.

Ms Pauline Goral: I'm Pauline Goral; I'm the director of the motor fuels and tobacco tax branch, which administers the land transfer tax.

Mr Arno Agur: My name is Arno Agur; I'm the manager of the land taxes section in the motor fuels branch.

The Chair: Good morning. If you have a short opening statement or presentation to make, this would be the appropriate time, and then it will be followed up with questions from the various caucuses.

Dr Christie: This is discussion A that we're passing out.

The Chair: Go ahead, sir.

Dr Christie: It's our pleasure to appear here to talk to you about the land transfer tax. As was noted, this tax was audited by the Office of the Provincial Auditor in 1998 and followed up in the 2000 report. Based on the recommendations from the 1998 report, changes were made to the administration of the program, which we'll review as we go along.

Just by way of background, land transfer tax raises about \$580 million a year. That's projected for this year. To put that in perspective, our largest statutes—personal income tax, retail sales tax, corporate tax—raise respectively \$18.9 billion down to \$8.8 billion for corporations tax. Regardless of the size, it's important to ensure that all taxing programs, including land transfer tax, are fairly and correctly applied and collected.

Looking at the history of the tax briefly, it was enacted in 1921. The first significant change was in 1974, to

address issues around non-resident purchase of land in Ontario. A 20% rate of tax was imposed at that time on non-resident purchases. In 1997 this portion was repealed because the non-resident purchasing no longer was an issue and the 20% tax was interfering with normal business activity.

In 1989, the act was revised to impose tax on transfers of land not registered at land registry offices, and this was a change designed to address tax avoidance and tax engineering mechanisms that were being put in place for large commercial transactions.

Over the years there have been a number of refund programs. The most recent was in the 1996 budget, aimed at helping first-time homebuyers. The refund has been very popular since 1996. Over 80,000 families have benefited; the average refund has been \$1,300. This refund was made permanent in the 2000 budget.

The tax is collected at the time the land is purchased and it's paid by the purchaser. It's a relatively low rate that rises with the value of the property. The rate on the first \$55,000 is 0.5%, from \$55,000 to \$250,000 it's 1%, and above \$250,000 it's 1.5%. For single-family residences above \$400,000 it's 2%. So, for example, on an \$80,000 home the land transfer tax would be \$525; for an \$800,000 home the land transfer tax would be \$12,475. There are few exemptions. It's intended to be a broad-based, low-rate tax, so there are few exemptions to this tax.

The tax is administered co-operatively by the Ministry of Consumer and Commercial Relations, the Ministry of Finance and the Ontario Property Assessment Corp. We have memoranda of understanding with the Ministry of Consumer and Commercial Relations and the Ontario Property Assessment Corp that set out the rules of the various players in this collection. The Ministry of Consumer and Commercial Relations operates 55 land registry offices, and these land registry offices are the vehicle for collecting almost all of the land transfer tax. The land registrars will collect two copies of the land transfer tax affidavit. One copy goes to the Ontario Property Assessment Corp, and it is of use to them in terms of maintaining continuing information on all the properties and keeping up to date on those properties.

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The Ministry of Finance has overall responsibility for administering the tax. Because of the way in which it's collected, because of the use of other partners in the col-

lection of the tax, there are about 30 Ministry of Finance staff involved in land transfer tax administration. Part of what they do is provide rulings to taxpayers and solicitors. They advise the land registry office staff on interpretations and they sometimes will become involved in some large, complicated commercial transactions, as well as doing land transfer tax audits.

In terms of the 1998 auditor's report on land transfer tax and the subsequent follow-up, in 1998 an assessment was made to determine whether the ministry had appropriate policies and procedures to ensure that the correct amount of tax was collected, refunded or exempted in accordance with the statute. The auditor's office concluded that adequate procedures were in place to ensure that the appropriate amount was collected and deposited to the CRF but improvements were required to ensure that the declared values of consideration and other information were reasonable and to ensure that the appropriate amount of tax was paid and collected.

Recommendations in the report related to a number of matters: assessing the information provided, involving training and informational materials being needed; enforcement activities, which related to audit work performed, audit revenues, penalties and fines etc; accounts receivable; and refunds and exemptions. I will briefly address each of these.

Under assessing information provided, the auditor noted that the memorandum of understanding between the Ministry of Finance and the Ministry of Consumer and Commercial Relations provided for a level of review of the transfer tax affidavit that was really in excess of the review provided and in excess of the review expected by the ministry. He recommended that the Ministry of Finance express clearly and communicate clearly its expectations regarding this function at the registry offices and revise the memorandum accordingly. We have done so.

It was also recommended that the ministry should periodically provide training to the registry office staff and ensure that they have the current manuals, current guidelines, bulletins etc. We've developed in conjunction with the Ministry of Consumer and Commercial Relations a full training package and schedule. Eight of the 55 offices have received in-house training and the remaining offices will receive that training over the next 12 months. The tax bulletins are being communicated to all the land registry offices and we've prepared a comprehensive manual that will be distributed shortly to all land registry office staff.

With respect to enforcement activities, it was recommended that the ministry develop audit programs or checklists, and we have done that. There was a recommendation for increased audits. We've increased the audit complement from eight to 12, and the value of audit assessments has increased by 76%, from \$6.6 million reported in 1996-97 to \$11.6 million in 1999-2000 and \$9.5 million for the first three quarters of 2000-01.

The auditor also recommended that the ministry consider additional penalties to deter tax avoidance,

evasion. The land transfer tax was amended to provide a civil penalty in the amount of \$500 or 25% of the unpaid land transfer tax. The penalty is considered whenever an assessment is issued, and to date it has been applied once.

The Provincial Auditor recommended that tax appeals decisions be analyzed for trends so we can determine imperfections and where additional work is needed. We're doing this on a quarterly basis, and outcome from this analysis is being used to change procedures and, where necessary, to make recommendations for policy and practice changes.

With respect to accounts receivable, the auditor recommended that the ministry ensure that our receivables information is complete and accurate and that the appropriate collection activity is occurring. We are taking more timely collection action and progressive action on assessments which remain unpaid, and staff have been assigned to collect outstanding accounts.

With respect to refunds and exemptions, the auditor recommended that the ministry arrange to obtain Canada Customs and Revenue Agency—formerly known as Revenue Canada—data which are used to audit land transfer tax refund recipients on a more timely basis. We've done this and we've accelerated the issuing of these assessments by some 30%.

In conclusion, we're gratified that with respect to the follow-up recommendations in this report, the Provincial Auditor's office noted that the ministry was in the process of implementing, or had implemented, the recommendations of the 1998 report.

The Chair: Thank you very much. What I propose to do is maybe have three rounds of 20 minutes and we'll see where we go from there. Shall we start off with the Liberal Party?

Mrs Leona Dombrowsky (Hastings-Frontenac-Lennox and Addington): Good morning, Dr Christie. A couple of questions. With regard to the training plan that you made reference to, and it was recommended that the ministry should periodically provide training to land registry staff, I'm curious about that term "periodically." What does that mean to you? Is that once a year, once every two years, whenever staff changes hands? I would really like to understand what that term means for you in your office.

Dr Christie: Perhaps Pauline or Arno could answer.

Ms Goral: "Periodically" to me means when it's appropriate. It would depend. If there are changes in legislation or changes in procedure, we should be going out there training. There is a lot of turnover in staff with MCCR, so we would have to go out on a fairly regular basis. Periodically could be once a year; it could be once every two years. It really depends upon the change in legislation and the change in the staffing.

Right now we're in the process of going out the first time and making sure we give equal training to all 55 of those and then we will go back, we'll be in touch with MCCR to help determine any new training needs that might arise and go out on an as-needed basis as well as being proactive to ensure they are getting the training that we feel they need. Does that cover it?

Mrs Dombrowsky: Is there a mechanism in place if within the land registry office there is a sense that their staff—because of significant turnovers or leaves of employees, can they contact you to say that they need that additional support?

Ms Goral: They certainly can. There's no problem. We have continuous communication with them. It's not a problem.

Dr Christie: If I might add, as was noted earlier, there has been a manual prepared and it will be distributed shortly to all of the land registry office staff so they'll have the information. If they don't feel they've got enough from that, then certainly, as Pauline noted, we would undertake to follow up with them and deal with any questions.

Mrs Dombrowsky: The manual will be based on the training you have provided to the eight centres and that you will provide to the remaining of that group of 55.

Mr Agur: Yes. The manual contains a number of sections, which include a copy of the act, the bulletins and notices that we send out to them. But, in addition to that, there is a section in the binder that is a training package and it contains essentially the parts that we deliver currently at the registry offices. As time goes on and things change and new issues arise, we will be updating that section of the manual.

Mrs Dombrowsky: Dr Christie, when you were going through your presentation and you made reference to the land transfer tax history, in 1996, refund for first-time home purchasers was made permanent in the 2000 Ontario budget. I am of the understanding that there is a refund for first-time home purchasers if they purchase a newly built home, but if they are a first-time homebuyer purchasing an existing home, then they would not qualify for a refund. Is that correct?

Ms Goral: The old program that used to be in before this new one was first-time purchases, and they had to open an OHOSP that was related to their income. That was the old program. A new temporary program was brought in in 1996, which was for first-time new homebuyers. It was not geared to income, and that's the one that was made permanent.

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Mrs Dombrowsky: You've just said something that piqued my curiosity. Was it "new temporary" program you said?

Ms Goral: It was in 1996 and it was enacted for one year, and then it was extended for a year, then it was extended and, finally, in 2000 it was made permanent.

Mrs Dombrowsky: Made permanent. What is the difference in terms of the revenue you would collect by excluding those first-time homebuyers who no longer qualify but used to qualify?

Ms Goral: Give us a second. Arno probably has the figures right here.

Mrs Dombrowsky: All right. I guess for me the issue that I hear from individuals is that they're buying their home for the first time and if it's not a new home, they don't qualify for the exemption—

Ms Goral: That's true.

Mrs Dombrowsky: —and that's an inequity for young people who are starting out. Or they may not be young people; it might be any individual who is buying a home for the first time, and it would suggest to me that they are certainly stimulating the local economy by purchasing a new home. I'm just curious about the savings that have accrued to the government by excluding those people from that program.

Ms Goral: Now you're asking how much we saved by not having first-time homebuyers. I thought at first you were asking how much we were giving back under the new program.

Mrs Dombrowsky: No.

Dr Christie: Do we have that information?

Mr Agur: We don't have the information here.

The Chair: How much is it under the new program that you're actually refunding?

Mr Agur: From the beginning of the refund it's been \$110 million that has been refunded. In the current fiscal up to January 23, we have refunded \$28.4 million to 19,277 applicants.

The Chair: But you cannot give us what that number would be if all first-time—because you don't know who a first-time homebuyer is unless they're part of the group that actually makes an application for a refund. Sorry, go ahead.

Mrs Dombrowsky: Thank you. That did make it more clear for me and I do appreciate that.

Another question I have is with regard to the audit revenues. It has been indicated that the ministry has recruited additional audit staff to increase audit coverage. I think in your comments you indicated that that has increased from eight people to 12 people.

Interjection: Yes.

Mrs Dombrowsky: Are these people permanent full-time staff that have been added to your team for this purpose?

Ms Goral: Yes, they are.

Mrs Dombrowsky: So they are there on a regular basis and it's not a contracted role?

Ms Goral: No, it's not a contract. They're permanent employees.

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): You had mentioned earlier that your revenue was \$580 million per year. Is that pretty stable year after year, and could we have any figures to that effect?

Dr Christie: The land transfer tax revenue obviously depends on the state of particularly the new home market. If that is less healthy than it has been in the last couple of years, that will obviously have an impact on the revenue. But just to give you a sense of the revenues for the past few years, in 1999-2000 it was \$515.5 million; the year before that it was \$486 million. The lowest I see here over the last 10 years or so was about \$314 million or \$315 million in 1993-94, again reflecting the state of the housing market. But that's both the level and the year-to-year change.

Mr Cleary: I understand. I kind of figured maybe the figures would be somewhat like that. You had mentioned that eight of the 55 offices are trained now. Does this training take place at a seminar where they all get together to be trained, or do you do it in-house at the registry offices, or how does this work? I'm going to be asked.

Mr Agur: We do it in co-operation with MCCR and we ask their regional representative to set up the meetings for us. In some cases they're able to bring two or three offices together to one office so we can more effectively use our own staff. In other situations where it's not possible for them to bring the staff together, we visit the individual offices.

Mr Cleary: You had mentioned this just happens when legislation has changed, or is that an annual event or a quarterly event?

Mr Agur: Currently, we have a schedule we have worked out with MCCR where every office is to be trained over approximately the next 12 months. After we have completed the first round where everybody's received the training, we're going to plan for future years, and we're looking at doing roughly a third of the offices per year in the future.

Mr Cleary: The other thing you had mentioned earlier about collecting outstanding debts, is that collected through Revenue Canada?

Ms Goral: No, that's collected by the Ministry of Finance. There is a collections branch within our ministry, so we have a collections branch that does that.

Mr Cleary: The federal government won't have anything at all to do with this?

Ms Goral: We can take some liens from them, take some money from them, if we want. Say there's a student loan. That's probably a bad example.

Mr Agur: There is one area where Revenue Canada assists us. That's with individuals who have been assessed who have received OHOSP-related refunds that they weren't entitled to. Revenue Canada will hold back, in certain circumstances, income tax refunds to pay their assessments at the Ministry of Finance here.

Mr Cleary: That's what I wanted to hear. Thank you. Those are my questions for now.

The Chair: Do you mind taking the chair, and I'll ask some questions?

The Vice-Chair (Mr John C. Cleary): I'll think about it.

Mr John Gerretsen (Kingston and the Islands): I just have a few questions about how you actually do your audit procedures. Just to be sure, in the earlier questions that were asked, your function with respect to training of the registry office people only deals with the land transfer tax aspect of it. The Ministry of Consumer and Commercial Relations is more involved with the other registry office work. Is that correct?

Mr Agur: That's correct.

Mr Gerretsen: How do you actually audit to make sure the proper land transfer tax has been paid on a particular transaction?

Mr Agur: There's a number of different ways we select audits. With land transfer tax audits, selection is the big challenge. We don't have sort of a stable tax roll we can select from, as you would in many of the other statutes. We look for transactions, and one source of the transactions is by the land transfer tax affidavits that go to OPAC. OPAC uses the affidavits to update their database. In the course of updating their database, they select affidavits for us to review further. We have specific criteria we have provided which they use for selecting transactions for us.

Mr Gerretsen: For example, if they show that in their assessment a property is worth, let's say, \$200,000, and a land transfer tax affidavit comes in at \$100,000 or \$80,000, that would sort of ring a bell in their mind that maybe there's something not totally right here. Is that correct?

Mr Agur: No, we wouldn't select on that basis, but we do have criteria which we have provided them. That's just the values of the transactions.

Mr Gerretsen: Right.

Ms Goral: It's the size, not the value compared to the property value.

Mr Gerretsen: Oh, the size. In other words, once it's above a certain amount, you're more likely to audit than if it's below a certain amount. OK.

You stated that the number of people you employ within your audit division for this purpose has increased from eight to 12. Do I take it then you are auditing to a larger extent than you did, say, three or four years ago?

Mr Agur: Yes.

Mr Gerretsen: What's the likelihood of a transaction being audited now as compared to, say, three or four years ago? Is it twice as likely?

Mr Agur: I would say so, yes. We've increased our audits by more than twice, so yes, there is an increased chance of being audited.

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Ms Goral: But there's also sort of a segregation of the type of transactions we would normally audit. If you have a lot of small-time home purchases going back and forth, you have lawyers involved on both sides, representing the seller and the purchaser. For the likelihood of any transaction happening that is going to cause a problem, there has to be collusion between two lawyers. So those types, you wouldn't see as much of that happening. We wouldn't be touching those. So when you say twice, if there's a lot of those increasing, we're increasing the percentage of ones that we do on the other types of transactions, doubling those.

Mr Gerretsen: Would you also audit those situations where land transfer tax is paid directly to the ministry rather than at a registry office?

Mr Agur: Yes, we would do a pre-audit on the payments made directly to us.

Mr Gerretsen: There was some talk about a new accounting system being set up by April 2001. Is that ready to be put into place now, or where are you in that?

Ms Goral: No, it's not. You have to imagine that at the motor fuels and tobacco tax branch we handle about 13 different statutes. Each of these statutes is on a separate type of system. The system we're trying to develop is one that brings them all together so we have one accounting system to handle all the statutes, and it's become a very complex matter. We now have released one which has all our tax roll on there, but we don't have the receivables. It won't be until maybe March or June of next year before it will be ready.

Mr Gerretsen: The last major change in the amount of land transfer tax that was imposed, when does that go back to? About 1994, 1993?

Mr Agur: No, that was back in 1989 when the higher rate was applied to single-family residences over \$400,000. For the single-family residence over \$400,000 it was an additional one half of 1% on the portion over.

Mr Gerretsen: Do you have any opinion at all with respect to the question that was posed by my colleague earlier as to whether or not first-time homebuyers who buy existing homes should be exempt as well? What would your advice be to the minister in this regard?

Ms Goral: We'll leave that to Dr Christie to answer.

Mr Gerretsen: I think that's a question for the deputy, definitely.

Dr Christie: Absolutely, sir, that's a question for the deputy.

Like any other tax, this tax is reviewed as part of the annual budget process. Possible changes to this, as well as a number of other taxes, are ones that will tend to be looked at during the budget process, and the minister will decide and announce that as part of the budget. Obviously not all taxes are looked at every year because they're so complex.

Mr Gerretsen: What kind of audit do you do on first-time homebuyers? I realize an application is made after the fact. What kind of assurances are you being given, other than the affidavit that's being provided for at that point in time, that they are in fact a first-time homebuyer? Do you do any audits in that regard at all?

Mr Agur: Yes, we do. What we do is we select transactions for audit. We will do searches on various databases that are available to us to find out if these individuals had a previous address and whether it was an address where they owned the home. Obviously we're not checking 100% of them, but we do have a selection process that we use.

Mr Gerretsen: Finally, I know there's a certain number of exemptions, inter-family transactions and things like that. Do you anticipate any changes in that in the near future at all?

Dr Christie: I'm not aware of any changes that have been announced for the exemption side.

The Vice-Chair: Ms Martel.

Ms Shelley Martel (Nickel Belt): Thank you for being here this morning. I just want to follow up on a question Mr Gerretsen asked, and that was the criteria you provide to the land registry staff for files you want pulled. You said it was based on price. I'm assuming that

means higher levels of prices would be more likely to be files that would be targeted for audit. Why would you do that versus any other level of price?

Mr Agur: That's just one criterion. There are other situations we look at where there has been no price paid at all for the land. That's of interest to us as well. We do use other methods of selecting transactions for audit. We have access to the database that is used by OPAC. We can go in there with various criteria to select properties.

Ms Martel: Do you do a certain percentage at each price range? Is that part of the equation?

Mr Agur: No, that isn't the approach we use. We would use things such as types of properties. We were finding that individuals who were purchasing co-op units were not paying land transfer tax, so we went in and used the criteria of a building which was a co-op structure and we selected them for audit and looked to see whether they paid the appropriate taxes.

Ms Martel: I just wanted to follow up on some of the responses you provided, Deputy, to the auditor's recommendations, some that I missed. The memorandum of understanding was signed when?

Mr Agur: In December 2000.

Ms Martel: You talked to us about the increased audits, and I understand the numbers around the increased permanent staff. It was the increased audit numbers that I didn't understand. I think you provided them as a percentage. You mentioned a 76% increase, I believe, in the number of audits, but I'm not sure—

Dr Christie: No. That was in the value of the audits.

Ms Goral: The assessments.

Dr Christie: Yes, the value of audit assessments, from \$6.6 million in 1996-97 to \$11.6 million in 1999-2000.

Ms Martel: What does that represent in number terms in terms of actual—

Ms Goral: I believe Arno has those numbers with him.

Mr Agur: The number of audits associated with those—

Ms Martel: With those percentage increases.

Mr Agur: The number of audits has increased from 1996-97, which was 223 audits, to 673 closing the first three quarters of 2000-01.

Ms Martel: With the increased staff, would that be the average you anticipate you're going to get? Were the new staff incorporated into the changes that resulted in the 673?

Mr Agur: Yes.

Ms Martel: So you presume that's going to be your average from here on in over the next number of years?

Mr Agur: Yes.

Ms Martel: Deputy, you mentioned that you were, as the auditor requested, observing trends; you were doing that on a quarterly basis. Can you give the committee an example of what you may have found and what change would have resulted from observing that trend?

Dr Christie: Perhaps I could ask the actual observers of the trend.

Mr Agur: One of the trends we found was that a number of our assessments that were based on the fair market value of the land were being overturned by the tax appeals branch. We found that the values we had gotten from the regional assessment offices were being overturned because the tax appeals branch was going for a second opinion to OPAC head office. What we decided to do or how we resolved that was, in cases of dispute, before issuing an assessment, we went to the OPAC head office for a second opinion before assessing, and that has reduced the number of assessments that have been overturned for that reason.

Ms Martel: Do you have any idea of how many?

Mr Agur: In the course of a year about 12 or 15 were overturned.

Ms Martel: Not really huge numbers. OK.

I understood what you were talking about in terms of your system, and I was going to ask about that. Have you completed your 1999 refunds, then, for OHOSP?

Mr Agur: No. Actually, we're expecting to get the output from the Revenue Canada match within weeks.

Ms Martel: So it's still running on a two-year time lag, as it was previously, when the auditor first looked at it. There has not been a significant change in terms of your ability to get data on an earlier basis from the feds.

Dr Christie: As Arno notes, the variable under control there is how rapidly the federal collection agency can turn around the tax assessment and tax return information and get it back to us.

Ms Martel: Otherwise, Deputy, the auditor's comments were very positive, so I don't have any other questions for you. Have a good day.

The Vice-Chair: Government members now, please.

Mr John Hastings (Etobicoke North): Dr Christie, starting off with Ms Martel's comment and your comment about the federal government and RevCan taking up to 24 months to send back the monies for 1999: that's common standard performance from them, is it not, in all our relationships with the federal government? I remember a year ago—you weren't here then, I don't believe—the committee was looking at the lag time from the collection of personal income tax provincially. It takes up to 21 months. They are holding back, still do, and we get no interest compensation for it. That's still going on as well, I assume, because of their rapidity of response.

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Dr Christie: Over the last few years there has been some improvement in the rate at which they forward personal income tax money, but the final assessments do take quite a while to get to us. There is the interest cost associated with that, as I think the auditor has noted in the past, under those arrangements. They also retain all the fines and penalties that are levied through the personal income tax system; those are not forwarded either.

With respect to their role in this discussion and in the OHOSP refunds, we pay the refunds, but we do so based on information they provide to us. They do the assessments of the tax returns and verify income, those things,

and then they send the information down to us so we can process the refunds. It's the information they send to us that is on such a long time lag. That means we're just processing the 1999 returns, or will be.

Ms Goral: Yes. The refunds have actually been under the OHOSP ones and they are decreasing in numbers because that's a fading-out program. The refund is given up front if the person applies, but we can reassess if we find out they didn't qualify under the OHOSP with the \$40,000 to \$80,000 income. It's that reassessment of an already given refund that is sometimes delayed because of not getting the information.

Mr Hastings: From us or from—

Ms Goral: From CCRA.

Mr Hastings: In that regard, can you communicate to your counterpart in Ottawa to see if we can speed up this minor facet of getting refunds back to the people who qualify?

Dr Christie: I will take note of the interest of the committee and raise at the next opportunity the general question of the rapidity of both information and monies.

Mr Hastings: That will be much appreciated. I'd like to focus next on your training programs. You've now got eight offices trained, but what is your turnover rate of personnel in the offices that are either trained or are about—some of them—to get trained in the next 12 months?

Mr Agur: I don't know what the turnover rate is in the offices.

Mr Hastings: OK.

Ms Goral: They're not our offices.

Mr Hastings: They're MCCR, or now MCBS, I guess: consumer and business services. Can you implement or can you push MCBS to intensify its training program—I guess it's a tripartite training program—for the staff in the land registry offices who aren't trained, or is that outside your purview and outside the purview of the protocol you have established?

Mr Agur: We've arranged the schedule with them that they're comfortable with and that we have the resources to deliver, and that is, as I said, to train all the offices within roughly 12 months.

Ms Goral: I think too we should probably note that to say "trained" doesn't mean that they aren't already trained. There has been information—

Mr Hastings: Training updating.

Mr Agur: Yes.

Ms Goral: Yes. So it's not that you've got untrained staff out there who don't know how to collect our tax. They are collecting the tax. We're just saying we're going out there to make sure they have more updated information and they have a chance to actually discuss issues with us.

Mr Hastings: Are you folks planning to talk to your counterparts—because you're the lead ministry in tax collection—about a different way of training people, and that would be starting to move toward on-line training? That wouldn't be just for this program. This could be for, I presume, new staff coming in, for auditors, whoever

you're hiring, because people move on. There's probably a huge cost involved in doing so, but do you have any consideration of thinking about moving in that direction, I guess, using education and training or the community colleges or whatever outside resources you would have to bring in to start developing a strategy around that idea?

Dr Christie: That's actually a very interesting question. In some of my former activities I've looked at on-line training. It's a fascinating area; it's a rapidly growing area. In the short run we have not built that into the centre of our plans for training, in part because of the cost of developing new training modules etc. But as we go on, we're going to have to assess all of our staff training and updating, not just in this tax but in all of our tax areas. I think my colleagues in other ministries would say the same thing about their customer service and front-line functions. We are looking for ways to do those functions better; we're looking for ways to help the staff do those functions better. Actually, I'm glad you raised that, because it's an area that we're going to have to get into. We're not looking at it now, but I think we should take a look at that.

Mr Hastings: That leads me to my next question, about the retail sales tax and collection thereof; it's a little outside the land transfer tax context. Some US states, Virginia being the primary one—probably in Canada it's BC—have plans. I know in the case of Virginia they've already allowed for their state retail tax to be sent in on the Internet, and also the motor fuel tax, whatever they call it down there; the gasoline tax, I guess. My question would be, do you have any plans in the immediate future to team up with the Service Ontario kiosks so the people who are in retail or wholesale/retail—some are in both functions—could actually post their—what do we call it?

Ms Goral: Returns.

Mr Hastings: —returns, earnings, to the ministry, to the government of Ontario on-line in a highly secured fashion so that your tax inspectors, the people who go out and check up on trends—you can thereby start utilizing your staff in a more appropriate, more focused enforcement fashion? I can remember years ago this was under consideration, I believe. But I don't know where we are in that whole area of trying to get better enforcement of some of the tax collection under the retail sales tax that my colleagues brought up.

I guess at the weekend shows, in the jewellery industry, a lot of those areas where there are a lot of cash transactions, a lot of people actually who are in so-called home sales have a garage sale once a week, all year, but they're not paying. I know it's a very minor area in terms of the monies, but those are examples. I'm just wondering where you are, Dr Christie, in that whole area, what your strategy is to get some of these things done, where you could have people pay their retail sales tax on-line. Your people would get better used in terms of getting out to see that we're getting enforcement in all these areas.

Dr Christie: That's an area that we are looking at as part of a broader use of the Internet, both for information

and for exchanging information with taxpayers etc, but it's not in a phase where we'd be able to do that immediately. We're looking at how to do it, how to do it in a secure way, how to secure all the taxpayer information. Obviously, as you noted, it would have to be completely secure. So we don't have plans to do that, as I say, in the very short term, but we are working on plans to develop the capacity, both in that area and in other areas, to deal both with remittance and with customer service and customer inquiries etc in an automated—

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Mr Hastings: Would you say we're two years away, three?

Dr Christie: Depending on the pace at which we can move forward and how broadly we set the targets, it would probably be in that order of time.

Mr Hastings: Should we not be trying to speed it up a bit? We're going to end up being one of the last provincial governments in Canada to do this.

Dr Christie: I will ask when I get back to have the folks tell me how fast other people are going. If there are other jurisdictions that are moving ahead faster, we can learn from them and adopt some of the techniques they've adopted.

Ms Goral: I was going to say, just to add to what he said, there is electronic filing for corporation tax but it's not the actual remittance of the tax. But there is electronic filing that's done in conjunction with Ontario and Alberta and CCRA.

On your issue with the flea markets and the garage sales, the sales tax is working in conjunction with CCRA on underground economy initiatives, including education and training and going out to these places on as regular a basis as they can. That's not my branch.

Mr Hastings: Does that include weekends? That's when they function.

Mr Agur: you were talking about trying to capture trends as to whether somebody is getting another free house, so-called, in terms of qualifying for being a first-time homebuyer. How do you deal with the problem of somebody who lives in another province who bought a house in Alberta or Newfoundland and then moved to Ontario? Do we rely on CCRA to tell us that the status of the address in St John's or in Edmonton was actually an ownership? Or is there really no way of capturing that kind of person who wants to be that inventive?

Mr Agur: In that situation we may not catch them, but the fact of their being a first-time purchaser is only one of the elements we look at when we audit a transaction. We also want to ensure that the home being purchased is a newly constructed home. So there are various tests that we could apply to a transaction, but obviously all tests can't be applied because we have a limit to the information we have to use for testing.

Mr Hastings: Those tests or criteria that you use I assume are confidential. You wouldn't want to tell us any more than the price as being one of the items you use in your trends analysis.

Mr Agur: I would prefer not to.

Ms Goral: You phrased the question to make it easy to say no.

Mr Hastings: I know it's a sensitivity item. How much time do I have? Am I finished?

The Vice-Chair: You have six minutes.

Mr Hastings: I guess a question I would have noted from the commitment of the minister, who has now moved on to better and more exciting things—your previous minister: in the annual report of key achievements for 1999-2000 I notice, Dr Christie, that one of the items that's highlighted is developing a declaration of taxpayers' rights, which is an original idea brought up by the Canadian Federation of Independent Business. I presented it in a private member's bill to a lesser extent. I'm wondering whether you could give us some detail as to how that proposal is proceeding.

I recall about three years ago meetings with your ADM, Roy Lawrie, when we were looking at this item. Some small business people, at the retail level particularly, but there could be other areas, used to remark to me and to other members in that committee back in 1997, I think, as to the way in which some of the audit people or the folks who went out to check, in dealing with our small business people, could be a little more professional. I'll use that approach. I'm wondering what the ministry has done in terms of dealing with that specific item as part of this whole declaration of taxpayers' rights. I know it sounds a bit bizarre: you're trying to enforce and collect money that's to be remitted because of statutes, but also trying to deal with those people in a professional way, because they're really our customers and are collectors of the money, and if we didn't treat them well I guess they behaved in certain different ways to you.

Dr Christie: There are a couple of things there. On the declaration of taxpayers' rights, we have been looking not only at what other provinces and the federal government do but what other countries do. We need to talk to people like the CFIB and others who have been interested in this to make sure we have their concerns appropriately captured, but we expect to see real progress on that in the next six to nine months. I think that's sort of the time frame we're looking at.

With respect to the professionalism issue, one of the things, for example, we're looking at particularly in terms of our tax auditors, the people who go out in the

field—most of them will want to give good service to their customers. It's like any workplace: most people want to do a good job. I'm sure in some circumstances where people are under pressure they don't do quite as good a job as they might want to do. One of the things we're looking at very closely, one of the kinds of things the federal collection agency has begun to do, is having anonymous feedback from the company, so the auditor doesn't necessarily associate it with the company, for obvious reasons, in terms of, was the person courteous, were they on time, did they provide all the appropriate information, if you had a question, did they answer the question in a reasonable amount of time, things like that, and conducting a quality service survey, if you like, in terms of the sort of interaction the people have. Those are the kinds of things we're looking at.

Mr Hastings: What kind of money do we pay them now? Is it about \$500? Is there not some compensation—

Ms Goral: It's up to \$2,000 a year.

Mr Hastings: Per business?

Ms Goral: It's a percentage of the tax collected, up to \$2,000 a year, if I remember correctly.

Dr Christie: That sounds right.

Mr Hastings: Does that apply to the motor fuel tax as well?

Ms Goral: We give compensation to some of our staff, not all.

Mr Hastings: So anything where there's a like-minded retail sales tax component, we have some compensation in place for them?

Ms Goral: Yes.

The Vice-Chair: Do any other government members have any questions? We'll move on to the official opposition.

Mr Gerretsen: We don't have any further questions.

The Vice-Chair: Ms Martel? No? Everybody is so agreeable.

None of the committee has any more questions for the deputy or the staff. If that's the case, I would like to thank the deputy and the staff for bringing this information before the committee. This committee will stand adjourned until tomorrow morning at 10 o'clock. I thank you.

The committee adjourned at 1129.

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Wednesday 28 February 2001

Journal des débats (Hansard)

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STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Wednesday 28 February 2001

Mercredi 28 février 2001

*The committee met at 1032 in room 151.*SPECIAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF NATURAL RESOURCES

Consideration of chapter 4(3.10), science and information resources division.

The Chair (Mr John Gerretsen): Good morning, everyone. I'd like to call the committee to order. This is the continuation of the standing committee on public accounts. We are dealing with chapter 4(3.10) of the 2000 special report, Provincial Auditor, dealing with the science and information resources division.

Good morning to all of you. We look forward to your presentation of about 15 to 20 minutes. Afterwards, there will be questions from members of the various caucuses. If you'd like to introduce yourself, Deputy, and the members of your delegation, you can proceed.

Mr John Burke: Thank you very much, Mr Chairman. Good morning. My name is John Burke. I am the deputy minister of the Ministry of Natural Resources. Here with me this morning are three colleagues. To my immediate left is Des McKee, the acting assistant deputy minister of the science and information resources branch. Next to him is Geoff Munro, who is director of the applied research and development branch. Frank Kennedy, who is to my right, is the acting director of the science and information branch.

I'm here today to discuss some of the Provincial Auditor's recommendations and comment and talk about what we're doing to address them. Let me begin by saying that we welcome the comments from the Provincial Auditor. In some cases it provided us with very useful direction on how to improve our processes and products and meet our mandate of resource sustainability. In other cases it simply confirmed and gave us direction that was already being undertaken within the ministry itself.

I'd like to begin by giving you an overview of what we've achieved, and then I'll address the specific recommendations and highlights that we have done in these particular areas.

One of the four common business practices that MNR has put in place to support our vision of sustainable development and our mission of ecological sustainability is that of science. We consider it part and parcel of doing business within MNR. We're taking a strategic approach

to the science business area and have developed a full life cycle project performance management system. The system is the centrepiece of an integrated science strategy that both meets the intent of the auditor's recommendations and provides the high-quality science and information we need to make sound natural science management decisions. The strategy has been tested and is now being implemented for the largest science portfolio within MNR, which is forest science. I brought copies of A Forest Science Strategy for an Adaptive Organization, which we will leave for committee members. This is a business-oriented strategy that focuses on improving the alignment of science activity with the needs of MNR's forest management program.

I'd like to highlight two of the actions identified in this strategy document as they relate specifically to some of the recommendations in the auditor's report. The first is around priority setting, and the second is around program and project management itself.

The performance management system I mentioned earlier is supported by a software tool called ProGrid. In the scientific community it's perhaps the most widely used software tool. This software is used by many organizations in Canada. We have adapted it to suit natural resources science and to fit our specific performance management needs. The system will support decisions around project selection, annual project review, and project evaluation after it's been completed. The decision support system is helping us to make consistent and transparent science-based decisions.

The second action item I'd like to highlight today is that we've divided our forest science into five theme areas that allow us to include a more balanced representation of clients and science providers in the review and priority-setting process. Managers from the forests division, field services division and science and information division provide co-leadership under each of these theme areas. Specifically, these areas are forest management practices; forest resource and land use planning analysis; policy standards and guidelines; inventory monitoring, assessment and resource allocation; and resource management issues.

The co-leaders are developing a strategic plan that identifies priorities for research and technology transfer problems and questions. They will review priorities and problems, pre-screen project proposals, participate in an annual review of projects, and help select projects for the

coming year. This will ensure that client needs are understood and addressed, and it keeps the whole science agenda working closely with the business areas. We've just begun to expand this management approach to other science activities at MNR and expect to have a fully functional performance management system for all of our major science activities in the near future. We are currently working to apply this in the fish and wildlife area, and you will see over the next 12 months us moving in a very similar fashion.

I'd now like to talk about what steps MNR has taken to address the Provincial Auditor's specific recommendations.

Around the area of setting directions and science priorities, the performance management system I mentioned earlier will ensure the development and annual review of science priorities measured against an established set of criteria. This work is done with active participation from the business area that requires the science products and services for their programs and has policy development responsibilities. So all of our key areas are being brought together for the purpose of setting directions and priorities.

Under project selection, research monitoring and reporting, our performance management system includes a full project life cycle approach. This means that project selection, annual evaluation and final review are all done in response to established criteria. The measurement criteria are also developed in ongoing collaboration, again, with the business area, that section of the ministry dealing with it.

In terms of research funding, while funding is still available only on an annual basis through the regular budgetary process, our performance management system will accommodate multi-year science projects in the priority-setting and project-tracking functions. We can review the status of the multi-year projects annually, as well as their fluctuating budgetary requirements, alongside any new project proposal we may consider from time to time. In addition, the ministry has entered into a number of science-based partnership arrangements that also have multi-year considerations. These arrangements are also reviewed each year as part of the performance management system.

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In terms of project monitoring for information and information technology projects, the ministry has also improved its efforts through regular reporting processes, quarterly financial reporting, a project status review of all approved projects in October of each year, and regular project-specific status reviews with all of our program areas. The ministry has evaluated its needs for project management software and in fact has issued an RFP for that particular kind of software to meet our needs. We will be making a decision within the next few weeks. Staff will be training on the software and the project management guidelines as projects are initiated in the new fiscal year.

I'd like to conclude my remarks today by assuring you that MNR's science capability remains vital to making sound resource management decisions and in meeting our objective of sustainable development. We've instituted project management processes that will ensure accountability, relevance and value for money for our science and information investments. We will continue to sustain a provincial scientific capacity and capability to address the specific issues we face in delivering our resource management and protection mandate.

On that note, I'd like to thank you for the opportunity for those few words and turn it back to you, Mr Chairman.

The Chair: We'll start our round of questioning now with the official opposition. We'll have 20-minute rounds.

Mr David Ramsay (Timiskaming-Cochrane): Thank you, Deputy, for your update on this. I know previously we referred to the 1996 Strategic Plan for Science and Technology. My understanding from the auditor today is that that basically is looked upon by the ministry as an historic document, and you've moved on now to the new forest science strategy.

I was just wondering how the new program is different from the old. Are there aspects of it that you've had to drop, and why have you had to do that? I'd just be interested to know what the difference is and why you felt—maybe because it's four years old—you had to change it. How did that evolve and what was the process?

Mr Burke: On some of these questions that relate to history or science in particular, I would like to be able to refer this question to some of my colleagues who are sitting here.

The Chair: Sure. If you'd like to identify yourself, please.

Mr Geoff Munro: Good morning. My name is Geoff Munro. I'm the director of the applied research and development branch.

The report you speak to, Mr Ramsay, was the basis upon which the new system was built. It provided guidance and direction. There's nothing we've specifically dropped, but what it did not do was provide us a set of concrete measures against which we could take an annual process and develop it into something that made it transparent to both the business areas and anyone else who wants to observe what's going on in terms of those decisions being made.

So in answer to your question, nothing was dropped. The intent of that report has been fulfilled. Some terminology has changed as we've developed the new system. For instance, there's a reference in the old one to "science team." "Science team," we found, was too general in its scope, and you heard the deputy speak to a number of specific theme areas. We have taken the science team and effectively broken it into theme areas so we could drive down to the specific needs of that thematic area in terms of its science requirements. So that kind of shift has taken place, where we've driven it into a more structured process with specific detail at a lower

level than that earlier document provides. But the intent of that document has been maintained and in fact was used as the basis for the development of the document that the deputy spoke to.

Mr Ramsay: I'd also be wondering if the change was maybe implemented, and I'm just asking this—if you have the resources to carry out this work, and did you have to change the strategy to accommodate the restructuring of the ministry because of the manpower cuts over the last few years? Has that impacted on this area and the strategy change between the two documents?

Mr Munro: As I said, the strategy hasn't changed specifically. The intent of that earlier strategy has been maintained.

In terms of the resources, the question around resources was always one of how much is enough, and what we've done is we have entered into some significant partnerships. The deputy, again, made reference to that. I guess the answer is yes, we're fulfilling the obligations as they are established by the strategies.

Mr Ramsay: I noted that, and I thought that was interesting. Going into partnerships seems to be a trend today. With whom would some of these partnerships be and how do these partnerships work?

Mr Munro: As you may be familiar with, the Ontario Forest Accord, as part of Ontario's Living Legacy, calls specifically for science partnerships. It was one of the areas that partners to the ministry at the level of the accord wanted to become involved in. We have a range of them. In the forest example we have in front of you today, they include a number of the members of the forest industry and a number of the academic institutions that are involved in the research side of forest science.

We have partnerships with the Canadian Forest Service, who also have that as part of their mandate. We even have a number of what I guess you'd class as ENGOs, environmental non-governmental organizations, that have chosen to work with us to try and enhance this overall mandate of improving our knowledge around forest science.

Mr Ramsay: Without getting into any specific details on any particular one, what is the extent of the partnership? Do I take it these are financial arrangements and collaborative studies? If you could give me maybe a couple of examples of what you share, as MNR, in a certain partnership project is and how it might work.

Mr Munro: As you can imagine, each institution has its own structure of what it can and cannot do in terms of its own mandate. What we look for are the areas of common interest, the areas where the mandates overlap and where there is interest in collaboration.

For those of you who have had the opportunity to go to Sault Ste Marie, you may know that the Ontario Forest Research Institute is right across the parking lot from the Great Lakes Forestry Centre, which is the Canadian Forest Service Ontario-based regional laboratory. So we have areas where we will only put the infrastructure for our project on the ground once, work out the plot network, for example, rather than have them to do it on

one piece of ground and us on another. Therefore, we both reduce our costs.

The scientific interest may be slightly different, mandates being collaborative but different on occasion, but we will go to the same site and have the scientists or technicians doing the measurements do them once and provide the information back to both the Ontario lab and the federal lab. They can do their work and we can do ours. When results can be compared and it's appropriate to do so from a scientific regime, then we do. So there is that kind of collaborative arrangement. It's two budgets, federal and provincial, operating in collaboration, both spending less than they otherwise would be required to do. Effectively, that's the model.

Where we partner with industry, it's often a case where they too will put people and resources on the ground to implement something that needs to be implemented in response to a scientific structure that we will set using our research scientists to do that. So it's collaborative in that way.

Mr Ramsay: I'm fine for now. We could rotate. I'll reserve the time if you want.

The Chair: If you want to do it that way, that's fine, if you want to have shorter rotations. Ms Martel.

Ms Shelley Martel (Nickel Belt): Let me start from there. Can you give us specific examples of projects that you're working on? I'd be interested, if you want to give me one with the feds and one with industry and then tell me what the monetary value is in terms of MNR's contribution and then industry's or the federal government's contribution. I'm hearing what you're saying, but can you give the committee some concrete examples of what that means?

Mr Munro: OK. Let me pick on one that involves all of the above. We have a project in place called the forest research partnership. It's a collaborative arrangement between Tembec, a forest company in the northeast part of this province, the Canadian Forest Service, the Canadian Ecology Centre, which operates out of one of the provincial parks near Mattawa, and ourselves. It is focused on intensive forest management. It focuses on what tools and techniques we need to develop so that we can implement intensive forest management in this province in a sustainable fashion, working within the existing legislative and policy guidelines for forestry. All four partners are bringing something to the table. In all cases, it's either cash or in-kind equivalent, the three big partners being the industry, the Canadian Forest Service and ourselves. The Canadian Ecology Centre doesn't have the resources to be an equal player, so what they supply is the infrastructure of their facility and their technology transfer capability.

Amounts: I'm loath to give you specifics because I don't have them in front of me to give you exact figures. I can certainly make that specific report and the outline of the budget associated with it available to you.

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Ms Martel: That was going to be my next question. Could you give us the breakdown between what would

be the ministry's investment in a partnership arrangement, either with industry or the federal government or the ENGOs, and then what the ministry's contribution would be solely as a ministry to those research projects? I'd be interested in what portion now is cost-shared, I guess is the best way to use it, with another partner and what continues to be the ministry's sole obligation in terms of projects, either on fish and wildlife or on the forestry side.

Mr Munro: I'll have to bring that back for you.

Ms Martel: OK. I'd like to ask you some questions about budgets. That's where I'd like to start. Can you tell the committee what the budget is, first, for the division for this year?

Mr Des McKee: My name is Des McKee; I'm the acting ADM of the science and information resources division. The problem we have with coming up with that fixed number is that there is base funding in the division. There's also money transferred as part of core business funding into some of the projects as well. I don't have the actual numbers in front of me, but I think it's in the order of about \$50 million to \$60 million.

Ms Martel: Can I back up? Maybe this will help. The auditor identified, in his 1998 report, that the division had about \$63.5 million in expenditures and 500 staff. In the same fiscal year, \$27 million was spent on 350 science projects, both fish and wildlife and forest management. I would be interested in receiving from the ministry corresponding numbers for three fiscal years—what those numbers were both for the division for 1998-99, 1999-2000, and then this year, 2000-01. I would like to know what the staffing levels are for those three fiscal years, and finally, what the expenditure was on the science projects. Like I said, in 1997-98 the value the auditor identified was \$27 million for 350 projects. I would like the corresponding amounts, both monetary value and the number of projects, for those three fiscal years.

Mr McKee: We can get that information for you.

Ms Martel: The reason I'd be interested is, you clearly understand, and so do I, the importance of the science projects to determine how your fish and wildlife and forest management programs are going to operate, and how we're going to ensure that resources are sustainable in the long term. The auditor, when he did his audit, identified a significant cut to the division's budget in the three years prior to his audit. I think that has probably had some significant impact on your ability to do these projects, because I'm not sure you have the money or the staff. I'd like to know what, if any, change has occurred in those numbers since the auditor did his 1998 report, because it wasn't identified in his 2000 report.

Could we have those this afternoon? Is that a possibility?

Mr Burke: We will try our best.

Ms Martel: My next question, then, is—and there may be no relationship at all, but this is what I want to clarify—how is the Fish and Wildlife Advisory Board and the money that it has from fees and licences,

royalties, etc related, if at all, to your division? I specifically mean related in terms of, do you vet the projects that they would propose and is their budget considered to be part of your budget? So for example, in 1997-98—I think they were probably just getting started, so maybe that's not a good year, but is any of the \$27 million that was 1997-98 actually money from fish and wildlife? Maybe there's no relationship at all, but I'd like that clarified.

Mr Munro: The response to your question is that the numbers we give you this afternoon or tomorrow or as quickly as we can get them for you can include the amount of the \$27-million equivalent that comes from the SPA, the special purpose account that you're referring to. But the allocation of projects is done through the scientific rigour that I described. Although the actual system hasn't been applied to fish and wildlife yet, as you heard the deputy say, that same sort of approach is still used in terms of assessing the scientific need for study. So the Fish and Wildlife Advisory Board does not sit in judgment over what project will or won't go ahead, although there is an allocation coming out of the special purpose account that makes up part of the science portfolio in support of the fish and wildlife activity.

Ms Martel: Sorry, let me back up. Let me deal with the special purpose account first. It was established in 1996 or 1997?

Mr Munro: You're close.

Ms Martel: I don't know the numbers, but let's say they had \$20 million in 1996-97. Are you saying to me, then, that the \$20 million they had would have been part of the \$27 million overall that was spent by the division on projects that year?

Mr Munro: On science projects; the answer is yes.

Ms Martel: So is it fair to say that the total amount of money that is in the special purpose account appears against the ministry line item for budget for science and research projects? Or is the money they have the only money you have?

Mr Munro: Oh, no. No, no, no. That's why I say when I give you the numbers this afternoon or tomorrow I can identify the portion. Science is funded through both the forest program and the fish and wildlife program, and a subset of the fish and wildlife program includes money from the special purpose account.

Ms Martel: Both branches, OK. It would be helpful to me if you could do that breakdown as well, and could you give me the numbers over the three fiscal years that I've identified and their projects, the number of projects that they did over the three years? Is that a fair request? I'm assuming that there are certain projects that are tagged as theirs, or do you—

Mr Munro: No.

Ms Martel: OK.

Mr Munro: No. I was going to say, the last part of your question may be difficult, because what happens is there is an allocation from the fish and wildlife program area to science and it is looked at in terms of the fish and wildlife needs, in terms of their program needs, and then

is funded through either the base budget or the SPA. I can give you the math quite easily and I can do that for each of the fiscal years you've asked for. What I can't do as easily is ferret out the specifics of a given piece of science work that was funded that way.

Ms Martel: Don't do that, then. If you can do the first.

Mr Munro: We can give you the math you are requesting, yes.

Ms Martel: Just so I'm clear: you've got your advisory committee. It's a multi-stakeholder group. I'm not clear about the process that develops for them to make decisions about projects. Are they assigned projects to consider from the branch or do they generate their own that are then checked by the science branch?

Mr Munro: They function in an advisory role. So the staff of the branch, working in collaboration with the people in our division—you recognize the branch is in a natural resource management division—

Ms Martel: When you say "branch" are you meaning fish and wildlife or forest management?

Mr Munro: Sorry, fish and wildlife branch. I should have been clear. The fish and wildlife branch is in a different division, as is the forest group. The science is functionally a service in support of their policy and program agenda, so we work with them in terms of their policy and program agenda and the science needs to it. They then discuss with the advisory board their full program—not just the science piece; the science piece is included of course—that they're planning to spend their allocations on. The science is part of the overall program.

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Ms Martel: They would have expenditures and priorities that are outside of the division and specific to the fish and wildlife branch, and you wouldn't deal with all of those priorities.

Mr Munro: Absolutely, and the field.

Ms Martel: Let me ask you about what you're describing as the forest science strategy. If I heard your answer to Mr Ramsay correctly, it is that there really isn't a difference; the 1996 strategy provided guidance but, for lack of a better term, the on-the-ground details of how it really operates are now available in this strategy. Am I correct?

Mr Munro: That's correct.

Ms Martel: How does that relate to what you want to do with respect to fish and wildlife? Is this document and this strategy generic enough that you would just apply it then to the fish and wildlife branch and their priorities? Because I got the impression that this was primarily focused on priorities coming out of the forest industry, which wouldn't deal with your priorities, concerns or responsibilities with respect to fish and wildlife.

Mr Munro: The process would be the same and was designed generically to answer the questions of how priorities are set, of how and when you review projects, how you measure if they are meeting the milestones that were projected in the project design in the first place. Did

they accomplish the intended purpose of the project etc? So the process will be the same.

Where it will change, or may change, is in the criteria used to measure projects. A number of the criteria in the forest strategy document you have before you are quite generic and there's a term in there called the language ladder, which is the measuring device associated with each of the criteria. Most of those will fit, but as we did with the forest program, we will work with the business area to make sure that those criteria do align correctly with the business area, in this case fish and wildlife, policy program needs. Some adjustment may be required at that level so that we measure the fish and wildlife projects appropriate to their needs.

Ms Martel: Is the document for fish and wildlife, that strategy, developed yet?

Mr Munro: No, and I'm not sure we will develop a full-blown one, because so much of this, for all it was done for the forest system, is the strategic nature of a science strategy and can be directly applied. What we'll do is adapt the pieces that are necessary, as I've described, and document them, so there'll be, more likely, an ancillary document to this one rather than a full-blown additional strategy, because that would be repetitious.

Ms Martel: Tell me, you implemented this strategy and its protocol model for decisions on projects for the fiscal year 2000-01?

Mr Munro: It was tested in that year, both beta-tested, where we just took a small number of projects, and then operationally tested. The strategy was actually implemented after budgetary decisions had been made for the current fiscal year we're in, so it was back casting because the timing of budgetary processes and the development of the strategy were not in sync. So what we've done is we've measured the success of that and used it to drive the process we're in the middle of at this very time for next fiscal year.

Ms Martel: So you anticipate it'll be fully in place, you'll be making all of your decisions and evaluations by 2001-02?

Mr Munro: That's correct.

Ms Martel: For the fish and wildlife portion now, are you going to be testing it this fiscal year?

Mr Munro: That's correct.

Ms Martel: With full implementation in 2002-03.

Mr Munro: Correct.

Ms Martel: Given that timeline, let me ask you this question, because the auditor when he reviewed this and made the comments that he did—in terms of the ministry's reply, the ministry's reply was that they had been well aware of these concerns and in fact were in the process of implementing changes already, in response to the auditor's recommendations. That was in April 1998. Those were the ministry's responses. It will be 2002-03 before the fish and wildlife portion of this finally gets implemented in the way that I think the auditor wanted it to be identified.

What has taken so long for these processes to be put in place? I'm also bearing in mind that you've told this

committee that there isn't a significant change from the year 1996 strategic plan to this document. But we've gone from identification of a problem by the auditor in 1998, where the ministry said you were already implementing changes, to a position where you won't have full implementation for at least another two full fiscal years.

Mr Munro: The simple answer is that the changes we were making in 1998 and 1999 were—how would I describe it?—item-specific. We were looking at the recommendations and saying, "Do we have a way of measuring a project in mid-year?" and we were starting to develop a response to that. It was in—let me get my years straight—1999-2000, prior to that. Going into 1999-2000, we recognized we needed a full-blown strategy. We could no longer go at these item by item. What we were doing was correcting things as we went, and we realized we were in effect tweaking all aspects of the science program. So we took a half-step back, took all those changes, integrated them during the 1999-2000 fiscal year and developed this full-blown strategy.

The performance management system we're talking about is one of 13 items you will see in the strategy itself. This is a full-blown science strategy for MNR. This goes well beyond the intent of the 1996 strategic direction. It satisfies those—as I said earlier, we used it as a base document and accepted its directions, but put a system in place rather than just say, as I did in my example, "We don't have anything to test a project at its mid-course, and we need one," and we went about fixing that. "We need a better way of linking with the business areas," so we went about fixing that. Those were one-time fixes we were doing, and we thought they were appropriate until we started to realize the scope of the changes being undertaken. We started to worry that we might fix A, which would hurt us in B. So we stood back and looked at a full-blown strategy for science in MNR, using forestry as the test case because of its being the largest portfolio. That has resulted in the document before you.

Ms Martel: You're confident, as you deal with the specifics on fish and wildlife and the needs from that program branch, that you're not going to run into similar problems?

Mr Munro: The answer is yes, I'm confident. The reason I'm confident is that we have taken this using forestry as a test case. It is not unique to forestry. As I said earlier, it is a science-based program that depends on the classical science checks of peer review and national and international collegial exchange with people who are involved in the area of expertise—all the things we have been doing in MNR for years—but does it in a structured way. So those generic pieces are quite applicable to fish and wildlife, and they can be applicable to science in any other area. As a matter of fact, this system has now been recognized worldwide. We were invited to IUFRO, the International Union of Forest Research Organizations, to talk about what we've done with this. So it is a generic science strategy, and I am confident it will work for fish and wildlife and others, recognizing, as I said earlier, that

there may be a need to speak to specific criteria adjustments to recognize the needs of that program area.

Ms Martel: Are you confident as well that you have the staff, the human resources in place to fully implement this strategy? Part of the problem the auditor identified with the 1996 strategy was that it was a great document but never implemented. We haven't seen full implementation of this yet. You've got a test. Through that testing, did you identify that you need more human resources to be sure it can be fully implemented?

Mr Munro: We're not fully there yet. Their capacity issue does come out, because you measure the amount of scientific capability you've got to deliver on the project needs. Recognizing that the list will always be longer than any size of organization can fulfill, we've entered into the partnership arrangement to help satisfy that, knowing full well we needed to do that. That's not unique to forests either; we're doing that across all our science disciplines.

Ms Martel: Just so I'm clear, though, it's safe to say—and I don't want to take you out of context—that at this point you can't be clear you would have, internally at MNR, in any event, the staffing to fully implement the strategy. You would have to rely on partnerships.

Mr Munro: The strategy itself is a process to establish the science that needs to be done. Yes, we can implement the strategy; I have full confidence. As a matter of fact, the way the strategy is designed, using Web-based technology, reduces the workload on individuals to chase money through NSERC or other granting agencies and whatnot to partner with MNR money, because it creates a structure within which the priorities of MNR for its science are clear. It's process-based, using Web-based technology etc. So I'm never worried about the strategy itself.

Ms Martel: It's the projects themselves.

Mr Munro: And, as I said, a list of science needs is always going to be far greater than any ministry's capability to deliver. We will always maintain the capability to deliver the core needs of our business areas, and we believe we'll be able to do that.

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Ms Martel: What portion of the projects would be—maybe this is too hard to sort out, but if you've got a test in place, what portion of the projects right now would have been just for this fiscal year versus multi-year, where you would have to be allocating additional staff resources now to complete those projects? Can you make that judgment?

Mr Munro: It's hard to judge specifically. I'm loath to give you a number. It's fair to say that most science projects are longer than a single year.

Ms Martel: And it would be the same with staffing as in monetary value. For example, I take it you would have a small number of projects that could be completed in a single fiscal year; many other projects you're going to be tracking require a multi-year commitment as well.

Mr Munro: They do, and that's part of why we have in the system an annual review to make sure—

Ms Martel: You have the money.

Mr Munro: Not just to have money, but that the annual investment is still pertinent. If things have changed, if new knowledge becomes available and we no longer need to pursue that because one of our colleagues has answered the question, we're not going to continue to spend money on the project just because we started it. So we will review the portfolio of projects annually to ensure we're making the best strategic investment we can.

Ms Martel: At what point would you be able, through this process, to assess your human needs? Is the model complex enough that those types of things can be identified for you?

Mr Munro: Yes.

Ms Martel: For example, as you move to the full scale this year, because you're in that budgetary process right now, if you start to look at those projects and the human resources attached, that would probably change some of the decisions you'll be making, just based on whether you have the fiscal resources to get it off the ground and the human resources to make it happen.

Mr Munro: That's right. I classify this, and continue to classify it, as a decision support system. It doesn't make decisions for us; it supports the decision-making that's necessary. In that context, we will always have a portfolio of projects that is greater than the base budget of MNR or any other ministry, because there are always going to be additional questions for which we want to eventually get answers, hence the reason we entered the partnership arena.

Ms Martel: Would you be making revisions to the portfolio now, based on what you know about resources, both financial and human?

Mr Munro: We have to bring the two together, and that will happen in the month of March, prior to entering the next fiscal year: the needs from the program areas and the resources available to do it, both internal and external in our partnership arrangements, to see what kind of portfolio of projects we can undertake collectively.

Mrs Julia Munro (York North): I have a couple of questions that are really very general in nature, but I thought I'd take this opportunity to ask. One of the things I wonder whether you could clarify for me is the difference between MNR's responsibilities, particularly in the fish side of fish and wildlife, and the jurisdiction the federal government has in Fisheries and Oceans. Can you explain in layman's terms your responsibility as opposed to theirs?

Mr Munro: I should say at the outset that the actual responsibility within MNR for the establishment of fish and wildlife responsibilities—fisheries was your question—is not within the purview of this division. It belongs to the natural resources management division, and they carry responsibility for the legislation and the regulations. However, working as closely with it as we do, I think I can give you a reasonable layman's answer. In that context, I'd be happy to respond.

The simple split is that the main coast issues of this country, the Great Lakes and the major arteries generally tend to fall to the Department of Fisheries and Oceans. When we get into the inland lakes and the watersheds feeding the Great Lakes, we have a role to play. As a result, we end up having a role to play on the Great Lakes as well. That's where the two come together. But it is federal legislation that can be violated in shoreline construction and that kind of thing where fisheries habitat is damaged, and so we have a relationship with the federal government in terms of their taking action when it is identified by one of our plans that damage to fisheries habitat would ensue. There is a collaborative working relationship at all times, but the lines kind of split the way I've described. But inland lakes are ours.

Mrs Munro: OK, thank you. As a member representing an inland lake shoreline, I'm conscious of the fact there often seems to be some confusion over this, which is why I thought I'd take the opportunity to ask.

The other question I have is again sort of generic. When you were talking about the work that has been done with this forest science strategy, you made reference to the fact that the projects, as I understand, have to conform to or be in collaboration with the business side of forestry. As you go forward looking at the projects that would be deemed appropriate for the fish and wildlife side, is there a difference in strategy between what you would see as appropriate activities at the science level in fish and wildlife as opposed to forestry? I don't know if I've made that very clear.

Mr Munro: Let me give you an example; this may be a better way of answering the question. One of the criteria we have is how the given project will meet the legislative or policy needs, the strategic objectives of the ministry's program. When you take that as the criterion, if you go into the forest world, you're going to talk about a sustainable wood supply, wildlife habitat, all the things we need to get as a product of managing the forest. If you take the same criteria and go over to the fish and wildlife side, you're going to talk about sustainable fish populations, fish availability for angling and commercial fisheries, not disturbing fisheries habitat etc. So the criterion "Does it meet the strategic objectives of the program?" is easily translatable from one to the other. But how you would measure it specifically in working with the business area would obviously differ based on the different science that's necessary to support that program.

Mrs Munro: I think that really demonstrates the point you were making earlier about the fact that this work that has been done then has the ability to be a working document as you move into the second phase.

The Chair: Mr Maves.

Mr Bart Maves (Niagara Falls): First of all, congratulations on acting upon so many of the auditor's recommendations and bringing in some new systems respecting the comments made by the auditor. Quite often we have ministries come in and say, "We really appreciate the auditor's work and agree with his recommendations,"

and then fail to follow up on those recommendations. So my congratulations to you for that.

Previously, it seems a lot of our processes have been a little more ad hoc, and through the minister's report now you've got more concrete measures for your programs; for instance, how and when to measure and exactly how you do those measurements. I understand you're implementing that in the forest sector and, through your comments with Ms Martel, in fish and wildlife. Would you say those more concrete measures and that more defined checklist came directly as a result of the provincial government's report?

Mr Munro: Yes, and our own recognition of the need for it. As the deputy was indicating, some of the thinking around getting a better working relationship between those who provide the science support to a program and those who are driving the policy and program in response to other needs was recognized as something that had to be brought closer together, and this strategy helps do that as well. So in large part it's driven by the auditor's recommendations, yes, but it's supported by where the ministry recognized it needed to go.

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Mr Maves: I'm not clear: did the auditor recommend that that same type of system be implemented for fish and wildlife or just forestry, but you've seen the merits of it and decided to adopt it for fish and wildlife?

Mr Munro: My interpretation of the auditor's remarks was that they were to the science portfolio itself. So if the ministry found itself in a situation where it needed to go into a brand new area of science at some point in the future, the expectation would be that a similar system with the same rigour would be applied. That's certainly our intent.

Mr Maves: You talked about the science strategy calling for the use of partnerships, and the members have all talked a little about the use of partnerships. How long, actually, has the ministry been entering these types of partnerships? It's not just a new thing. Is it something that's been going on?

Mr Munro: You're correct; it's not new. We've been entering partnerships all along. What we've done, though, is stepped up the attention we pay and the management rigour that's applied. By that I mean we aren't encouraging an individual scientist to walk across the parking lot, as in the description I made of the two labs side by side in Sault Ste Marie, but rather we have the two management committees looking consciously for areas of common priority, looking to apply in a collaborative fashion the resources we each bring to the science agenda. That has happened in the past, but in a more ad hoc fashion, where it was in the interest of a given director of science or director of a given portfolio of the science to do that. What we've done is brought the two organizations together in a more formal fashion. We even have in place a committee structure where we annually pull together all the priorities we have and look for areas of commonality and then structure the partnerships

accordingly. We've done the same with the major forest industry players and other interested groups.

Mr Maves: You mentioned the union of forest research organizations—

Mr Munro: It's called IUFRO, the International Union of Forest Research Organizations.

Mr Maves:—which brings to mind a question: how does the system we're now operating—you said you got praise for it at that group—compare with other jurisdictions, for instance, other provinces?

Mr Munro: You heard the deputy speak of a piece of software called ProGrid. ProGrid is used as a tool by a number of organizations, not just in forest science but in science. While it started in North America, it's rapidly becoming worldwide. There is what is called a ProGrid users' group. That's where they get together once a year and say, "What have you learned? How did it work for you?" and that kind of discussion. We have been invited to that users' group last year and for the year coming and, simply put, we've been given strong accolades from our colleagues who are also using it, because we've taken it one step beyond. We've added the front end I was speaking of earlier, about the theme groups, the tight link to the business area, and making sure that relevancy column of criteria is well and truly established.

Most others have used it for a granting structure, so they already have set the purposes for which the grant has been established when the grant is established. As an example, NSERC, the Natural Sciences and Engineering Research Council of the federal government, has its money allocated by functioning groups of priorities. So all they did was take ProGrid as the tool to crank through the priorities. What we've done is put that front end on it, where annually you review the priorities and adjust, recognizing that in a dynamic organization like a provincial government, where you're working on the ground, you have changing priorities all the time. Things will become more important; things will be solved and therefore be less important from a science perspective because they're already being implemented. So with that dynamic change on the front end, and integrating that with the priority-setting process, we were given accolades by that group.

Mr Maves: Was ProGrid developed by our ministry? Who actually developed ProGrid?

Mr Munro: They like to call themselves the science mafia of Canada. It's actually a small group of people who—the principle came out of the aerospace industry in Canada, the group that developed the Canadarm. They now have set up a consulting company—because they wrote this software. It was written primarily for the allocation of money in a granting style, as I described, and then they work with us to mature it for these other uses. We've been emulated already; Forest Renewal BC, British Columbia, has taken the system we've developed and, with permission from Ontario, has applied it with very little adjustment.

Mr Maves: One last general question, and it's a very subjective one. How would you gauge the relationship

right now between your ministry and some of the forest companies, for example, in Ontario with regard to science and their understanding for the needs of science?

Mr Munro: We have put in place what we call the managers' forum. It's just the people who are responsible in the forest companies for their interest in the question, "How do we mature the way we manage the forest on behalf of the ministry under our licence?" They are woodlands managers or vice-presidents of woodlands, that kind of level in the organization. We get together about two or three times a year. It's a very collegial relationship. They come to the table with cash. They recognize they don't have the science expertise themselves. They're interested in entering into partnerships with us using this system because they understand that the priorities get ferreted out. We do the same thing as I described with the Canadian Forest Service with them—"What are your priorities? How do they overlap with what the ministry's mandate is?"—find the areas of common interest and work together.

The Chair: Anyone else on the government side? No? Mr Ramsay.

Mr Ramsay: I'd like to address my questions to Mr Munro. I'm glad I took that break. It gave my colleague Richard Patten and me a little chance to go through the forest strategy paper that you handed us. I'm a little shocked by it because it seems to run a little contrary to some of the answers that you were giving me. I was asking you specifically, would the lack of resources or the cuts in personnel have anything to do with the change from the 1996 direction to now, and you seemed to imply that, no, the priorities had changed. Yet when I look at this, and just for the little time that Richard and I have been able to look at it, it seems like a cry for help from the ministry. All over the place there are admissions that there are insufficient resources, both monetary and personnel, to do the job that the scientists in your ministry believe is needed.

On page 17, "Human Resources: MNR's S&T personnel resources are deficient in several areas. Presently there is insufficient critical mass in key research areas. For example, there is a need to provide strong social and economic research in support of sustainability goals. There is also a shortage of technical and administrative S&T support staff. Downsizing and reorganization directives over the past decade have eroded MNR's corporate science capacity and have discouraged the recruitment of new, younger expertise. Coupled with fiscal restraint realities, S&T staff have been unable to expand their network and interactions with colleagues in other provinces and internationally. In total, these conditions have created a suboptimal working environment where resources and opportunities are low and attitudes edge on apathetic."

I must congratulate you for the frankness of some of these statements. I look at page 35, which I guess gets pretty serious about the legal needs of science because of your legislative mandate, and it basically spells those out.

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On the next page, 36, "Status of EA Science T&Cs"—terms and conditions—"A considerable reduction in program funding and staffing for the science T&Cs has occurred over the past four years in accordance with the government's objectives for deficit reduction and reduced spending. Consequently, the resources originally planned for each of the programs has not been maintained. Nevertheless, MNR is obliged to meet EA act requirements and deliver science programs that, at a minimum, satisfy the wording in each science T&C."

The ministry says that you feel you've got enough here to do the very minimum, but it says, "With the growing trend towards litigation, MNR's programs may be legally challenged. Questions on how well MNR's science programs comply with the timber class EA approval may be ultimately decided in a court of law."

That seems pretty serious.

Mr Munro: Can I speak to those observations? They're in here because facts are facts. The truth of the response I gave was, though, that this strategy was designed to overcome that scenario. As it says, in terms of the EA, we believe we'll be meeting the requirements, and we'll be testing that through the review of the timber class EA. We believe we'll be there. But this strategy was specifically designed to ferret out the specific priorities that must be met and make sure that we do have the resources allocated to them.

I don't mean to imply for a minute that the size of the science program today is the same as it was in 1998. It's not. The figures that I will provide to you, Ms Martel, will show that. But the strategy has overcome that scenario and has been specifically designed so that we concentrate our efforts, both the ones from the internal resources and the ones through our partnerships, so that we do meet legal and required priorities of, in this case, the forest program.

If I led you to believe that we were operating on a premise that everything was rosy and we had the same resources we had before, then I misled you, and that was not my intent. But that is the basis upon which the strategy has been built so we can meet our obligations.

Mr Ramsay: Continuing along this line, from page 38, section 5.2.2, "Changes in Science Funding," it says, "The reduction in science funding initiated in 1996 represents the largest contextual driver for this strategy now and for the foreseeable future." So yes, that confirms what you're saying.

On page 39, section 5.2.3:

"Capacity: Overall budget reductions have eroded MNR's capacity to deal with many critical uncertainties about sustainable forest management. The actual capacity reduction can be estimated on the basis of differential funding since 1996 but this would not provide a complete picture." It talks about some overall science funding of the government and synergies between other ministries, etc.

It goes on in the next paragraph: "There has been a severe reduction in overall capacity to conduct science

and transfer activities...." I take it that's the implementation of the science in the field. Is that what a transfer activity is?

Mr Munro: Yes, taking the new knowledge as it has been created and applying it in the field.

Mr Ramsay: "This reduction has affected research activities but it has been equally devastating to transfer activities. Staff normally devoted to transfer both formally through conducting courses, workshops, etc have been confined to assisting with the MNR priorities such as Lands for Life and judicial review. Consequently, the capacity for day-to-day transfer activities, particularly with the forest industry, is much reduced."

What are the consequences of that?

Mr Munro: If left alone, we would be in non-compliance and we would not provide our business areas with the information and knowledge they need to do their job. Again, this is the platform upon which this strategy was built and part of the reason why we went to a full-blown science strategy, to figure out how we could get where we needed to get. This is a leading-edge piece of work, as recognized in the scientific community. I have every confidence we will overcome those dramatic statements in our delivery. The proof of the pudding will be in the delivery, absolutely, and will be measured in a quasi-legal environment with the timber EA review on that particular piece of work, as you know. I have every confidence we will have risen to the occasion. The strategy is specifically designed to overcome those dramatic changes that are described.

Mr Ramsay: But you do state in here that there is the possibility that whether you're in compliance or not may be decided in a court of law. The authors of this report are not as confident that you may meet those legal obligations.

Mr Munro: Recognizing that this was written as the platform upon which we needed to write a strategy to get there, not as the result of the development of the strategy.

Mr Ramsay: So there are obviously the legal obligations under the legislation that you act under, and that's one thing. It goes on at page 41, and it's something that I'm familiar with, coming from an agricultural background. You use OMAFRA as the example, that we're not investing in the science to get the optimum, if you will, efficiencies and productivity from our forest industry.

OMAFRA has always had the sense that the more they invest in R&D, the more productive our farmers would be in this province, and the research that OMAFRA has funded, some internally, some through the University of Guelph, has proven that. In pork research and other areas we seem to be the leaders and this is what makes our farmers in Ontario so productive and very competitive and used as an example.

Obviously the mindset isn't there with the Ontario government that we've got to do the same with our forest industry and that the government needs to be a leader. I'm sort of paraphrasing what's being said here. The last sentence there in that paragraph is, "Only a significant

investment in knowledge will realize these expectations," referring to enhancing productivity. That's going to be very important, especially with the pressures from various groups about the way we use our forests. So our science is going to become more and more important to do a better job, to satisfy all the demands out there about how we use our forests.

Mr Munro: One significant difference between OMAFRA and MNR is MNR has stewardship responsibility for crown land; OMAFRA is functioning on private land, functioning in terms of providing their science to a private landowner who is in a production environment. If our science was to support only the forest industry and to only do the one thing—increase productivity on the ground—I think the parallels would be more easily implemented.

The truth of the matter is we have to balance that increased productivity with the other values that the public of Ontario wants from their forests and that in a true, sustainable environment are legitimate parts of the forested ecosystem that we need to ensure are maintained, everything from protected areas to habitat to aesthetic areas in the province.

I think our forest science does require a significant investment if it were going to go to that OMAFRA equivalent. Article 5 of the Ontario Forest Accord is where we've turned to get that investment and it is through the partnership arrangements I've been speaking about part of this morning. We do have significant resources being partnered with us to meet these objectives, with the forest industry putting some significant dollars on the table, and some of our other partners.

I guess I would respond by suggesting that the agenda is a little different and that we do have to do more than just the increased productivity, but increased productivity is one of our directions and we are working on that in collaboration with our partners, again using this strategy as the tool to ferret out the priority areas of investment.

Mr Ramsay: That's exactly the point. Section 5.2.5 talks about science as an investment. That seems to be the cultural difference between what's happening now, because of your funding pressures and, I take it, from what you and your branch would like to see. It says, "A prevailing notion throughout the strategy analysis was one in which S&T is seen as a cost to and not an investment in the management of natural resources." I guess that's the difference. "This view undoubtedly influences the ongoing decisions to reduce S&T budgets. Ironically, this perspective is not however shared by broader government science and technology funding initiatives, nor is it the same in other jurisdictions." Then you give Alberta as an example, which "has decided to increase their investment in forest-related S&T in order to increase forest sector outputs for a broad range of economic and ecological products."

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Obviously you're in a tough position here. On the one hand the scientists in your branch want to see more investment in this and give some valid reasons. I under-

stand your job; you work for the government and you have to defend the policy. But I'd just say to you that you've got an advocate here. We need to be pushing for more of this and I'll be doing my part in doing that. I think we need to have more money dedicated to this, not only for our legal responsibilities but for increased output and productivity for a greatly diminishing resource. So we have to do better with less.

If anybody wants to have a finishing comment, that's fine, or I'll leave it there.

The Chair: Any questions?

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): Yes. I was looking through your document and I was just wondering, MNR used to operate around the pits and quarries act, and then that was handed out to private enterprise. What role does MNR play in that now?

Mr Munro: There is nothing in the science piece. The pits and quarries is more of an allocation, I believe. That's not an area within my purview.

Mr Burke: I don't believe there was anything raised in the auditor's material with respect to that, but I can certainly get back to you to more specifically answer the question that you've raised.

I know we work with industry with respect to pits and quarries. I'm not aware that we've transferred anything to them in particular. We still work with them, we still do the allocations, and so on.

Mr Cleary: This is an issue in rural Ontario, in my part of Ontario. Sometimes we have a difficult time getting answers, so I thought I would just throw it out there at this time.

The other thing I was wondering about, and I suppose it's not in here, is the beaver control. Are there any partnerships that you're putting together on beaver control? I know it used to be an MNR problem. It's a big issue in the agricultural community. I was just wondering if there are any partnerships or anything there.

Right now it's in the hands of the municipalities, which I think is unfair, because if you look back, for as many years as I can remember, the beavers were brought in there by MNR and now they've left us with all of the problem.

Mr Burke: Again, I don't have any material nor do I recall anything with respect to a problem with that, but I can certainly check and get back to you.

Mr Cleary: I can sure give you some problems if you want them directed to you.

The Chair: Anything else, Mr Cleary?

Mr Cleary: Sure. The other thing, under fish and wildlife—and I don't know whether it's federal or provincial—where you have licensed people who net fish in eastern Ontario and they are allowed to net in spawning times; namely perch, Lake St Francis. That's a big issue. I've had the fish and game clubs after me continuously about that. A federal or provincial problem?

Mr Burke: If it's an inland lake, it would be ours.

Mr Cleary: I think it's yours, then. I just had to get that on the record because I've had the fish and game

clubs after me for years about these licensed people who fish, especially in spawning time.

The Chair: Ms Martel?

Ms Martel: I asked you earlier on for some statistics and I'm going to expand my list for you. I asked specifically for fiscal years beginning 1998-99. I wonder if you can provide us with the same details—manpower, budget and projects and the value of the projects—but for fiscal year 1995-96 and fiscal 1996-97. The auditor has already provided us with 1997-98; it's the one we do have already. If you could give me the two front-end fiscal years and similar information, that would be helpful.

Can I ask about the staffing complement in the division itself? The auditor said about 500 people in 1997-98, and you'll update those statistics for us. Is the general complement, then, scientists? Do you have a number of categories of scientists? Are there technical people who are not scientists, and an administrative staff? Can you give me a profile of the staffing complement in the division?

Mr McKee: The division is the science and information resources division. One of the branches is the science branch. Another branch is under Frank Kennedy's leadership, which is science and information, and that's focusing more on knowledge management and the integration of those components. There is an information management branch which is focusing around the core information management things—architecture, planning, standards etc—and there is a small IT organization to look after the infrastructure.

Ms Martel: I think you've mentioned four branches within the division itself.

Mr McKee: Yes.

Ms Martel: Which branch has the biggest complement? Would it be the science development and transfer branch?

Mr McKee: Yes.

Mr Munro: The science development and transfer branch itself, though, has matured into the two new branches of applied research and development and science and information, which is why Mr Kennedy and I are both here.

Ms Martel: What I'd be interested in is the complement of scientists—or I don't know if they're scientists and technicians; I'm not sure which term you use to define them—the individuals MNR has who are actually doing the project work, research etc. I'd be interested in those numbers. I'm not sure: were you going to respond, Mr Munro, or do you want me to keep going?

Mr Munro: I was going to identify them for you. We have research scientists, we have technicians and we have what we call field specialists. They are made up of people who are biologists and foresters, predominantly, who function in that role that you describe. So that's the sort of response you'll be getting.

Ms Martel: Can you give those numbers to me as well over the period that I asked? Is that a possibility or is it too difficult to break that down?

Mr Munro: The question you ask may drag the time out a little bit by which we're able to get you the answer, but we will get you the answer.

Ms Martel: I don't know if we'll be back here this afternoon, but if you can get the other portions to me and then that comes later, that would be fine.

In terms of the strategy itself, because I haven't had a chance to look at the document, how do you guarantee that the user's views are implemented in setting the priorities and then guarantee that they're involved in the post-evaluation to determine the success of the project or how valuable or useful it was?

Mr Munro: What we've done is have the forest division senior staff, the field services division and the science and information resources division work together to co-lead each of the theme groups.

If we talk about a specific one, we'll have questions being raised by the forest division staff, who are the policy and program staff. They know what's required at the provincial level in terms of where the forest program is going. We also have people coming out of the individual districts who are implementing it on the ground, who are working day by day with the forest companies. They too have issues or concerns there at the table. Then you have the science staff at the table who say, "We already know the answers to these three questions," because of the scientific knowledge they hold. "The next question is the fourth one." So the three perspectives work together to develop the strategic approach around each theme area. That way they stay tightly linked to the business area's needs at both the policy program development level and the field implementation level.

Ms Martel: I think I understand that. Maybe I should have been more specific and asked about users as stakeholders—the forest industry, Tembec representatives: Did this project make any sense or not, given the project you've already described, on the side of fish and wildlife, OFAH etc?

Are those coming through the district level, then?

Mr Munro: They are, unless we're entering into a structured partnership with them. Then they may help us co-write the proposal.

Ms Martel: So they'll do it directly.

Mr Munro: It will depend on whether it's just general input on, "What are the priorities around this area?" or whether it's trying to drive, in a partnership environment, to a specific objective. Both are possible in the way we've got it structured.

Ms Martel: In terms of the pilot that you ran, those user groups were part of that pilot as well in terms of their views being canvassed after the end of last fiscal year?

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Mr Munro: We very actively worked on the partnership that I described with Tembec and the Canadian Forest Service, and had them right in on the discussion of the projects and the results.

Ms Martel: But you would have done a number of other projects. How many projects did you actually test, then, through the fiscal year?

Mr Munro: What we called the beta test was only nine projects, I think. The operational trial was 37, or something like that. So it was a full portfolio of project activity.

Ms Martel: If you looked at the 37, would you see that affected users had their views canvassed at the end of that for evaluation, or is the problem that some of these will be multi-year, so there isn't any point right now in talking to them?

Mr Munro: Yes. We're not closed off yet. Most of those projects are still part of the ongoing evaluation for the upcoming budget year, because they are multi-year projects.

Ms Martel: I haven't had a chance to look at the document, and I appreciated the comments that Mr Ramsay put on the table in terms of human resources, because clearly I think where he was heading in his first round of questions was to determine if the reason the 1996 strategic plan had to be changed was because there wasn't the staff to implement it. I think that's probably the thought that some of us had on this side of the room.

There's no doubt that you have now developed a strategy that you feel confident will deliver on your obligations and your responsibilities. I come at it from a different way. My question to you is, when you cut your science budget—and we know there have been cuts; you've identified that, and we're going to see how large those were—and when you cut your scientific projects, at what point do you then put the sustainability of our fish and wildlife and forestry resources at risk, and have we hit that point? It's one thing for the ministry to develop a strategy to try to live within the constraints you have, and I think that's what you've tried to do, but there's a whole other matter of whether now living within those constraints really means we have hit the point where we are putting those resources at risk. Can you comment on where you think we are now with respect to those really important items?

Mr Munro: Boy, that's a \$64-million question, isn't it?

The sustainability of resources in Ontario, sticking with the example of forest resources because of the area and the document we're discussing, is characterized by a very structured requirement in our forest management planning process. If you take a look at the forest management planning manual, you'll find that there are 14 indicators of sustainability that each and every forest management plan author must satisfy. Then and only then will the ministry sign off on that plan, making the operational implementation of that plan a legal situation.

Have we eroded that? No, I don't believe we have. Are there more criteria out there as we learn more and more about forests? Yes. At some point in the future, the 14 indicators may mature into something else. As we gain more knowledge about the forest and about how the forest ecosystem behaves in response to both natural and

man-caused disturbance, we will continue to refine our measures of sustainability. It's in the adaptive nature of learning more about the forest and then implementing that that science comes to the fore. As we understand it today, as we have it in documentation today, we are implementing a sustainable forest management program, yes.

Ms Martel: But at one level the government has been incapable of even meeting the terms and conditions. I set aside 77, which deals with aboriginal people's concerns. If I look at your obligation to table annually reports with respect to forest sustainability, I would bet that you don't have 1999-2000 tabled, and I'd be surprised if you had 1998-99 tabled. I think the last set of documents that we looked at, albeit it was probably four or five months ago, was a report from 1996-97. The ministry has an obligation now to provide information with respect to the state of the forest, annual reports, and you have not been able to meet those. Maybe, Deputy, you can tell us when the last set was tabled, because they were not current.

Mr Burke: Well, you're correct: we certainly were behind the time of appropriate tabling some time ago. It was pointed out to us both by the auditor as well as the Environmental Commissioner.

I can tell you today that we have tabled 1997-98—it is now formally tabled—and 1998-99 has been signed off. It is going through the regular committee process and we expect to see it tabled, if everything goes according to Hoyle, within the next week to 10 days. Of course, 1999-2000 will be produced probably before the end of this year. What we chose to undertake or what we've indicated we would do is table them no later than 18 months after the completion of that fiscal year period. Of course, that won't be until some time later. I think October of this year would be 18 months after the 1999-2000.

Ms Martel: Can you tell us why there's been such a delay? This has been an ongoing problem from the time the T&Cs were actually developed and accepted. There was never a report that was tabled on time and we still, as you said, are experiencing a significant delay. These are really important indicators about the state of our forests, and because they then become public documents, that makes them even more important so that people who have a concern, whether it be in the forest industry or the environmental community, have some baseline to work with. I think it's significant that the ministry has not been able to get even that out the door in terms of telling people very publicly what the situation is.

Mr Burke: I think one of the reasons behind them being delayed is waiting basically for reporting material. We expected material and information from the forest industry, from companies. As you know, MNR is very decentralized and has many district offices. Much of that material and information had to be compiled, so through that. It was also somewhat of a new process for us, and I think we had a hard time getting ourselves straightened out as to how we would collect the material, the extent of the material that was needed in order to fulfill the requirements under the tabling documents, and so on.

I can tell you today, I think we've got it right. I don't think we got off to a great start, and I do admit that, but I think we do have it right today and I expect to see regular on-time reporting from this point on.

The Chair: It's 12 o'clock. Any further questions from the government members?

Ms Marilyn Mushinski (Scarborough Centre): No, Chair.

The Chair: There will not be a need, then, for us to return at 1:30 this afternoon. We look forward to your meeting with us tomorrow on the forest management issue, although to some extent that has been dealt with today as well, but we'll get into that further tomorrow.

Mr Richard Patten (Ottawa Centre): Mr Chair, I'd just like to know: this James Baker, that's not the evangelist Jim Bakker, is it?

Interjections.

The Chair: Thank you very much for attending here today, then, and we'll see you tomorrow.

SUBCOMMITTEE REPORT

The Chair: As agreed to earlier, we'll now deal with the subcommittee report on committee business. Would somebody who is on the subcommittee read it into the record, please?

Mr Patten: The motion is, I move that the Provincial Auditor be—

The Chair: No, the subcommittee report itself.

Mr Patten: Your subcommittee on committee business met on Wednesday, February 28, 2001, and recommends the following:

(1) That the motion of Mr Sergio be dealt with, with certain amendments, by the committee today, February 28, 2001, directly following the morning session.

(2) That the Chair meet with Mr Burgess and report back to the committee at a later date.

(3) That the Agricorp report will be dealt with on the afternoon of Monday, March 5, 2001, if time permits.

The Chair: Is there any discussion on the report to the committee? If not, I'm going to call for a vote on that.

All those in favour of the committee report? Opposed? Carried.

Items 2 and 3 speak for themselves. If we could return then to item 1, which is the actual motion. Ms McLeod.

Mrs Lyn McLeod (Thunder Bay-Atikokan): I appreciate receiving notice that the motion would be dealt with today. I'll just take a very brief moment—because the people around the table have changed from the time this motion was originally tabled—to give a very brief history.

I had originally presented the motion when we were dealing with health issues at the public accounts committee and I was sitting as a member of the committee. In fairness to the committee, the motion came without notice and caught people by surprise, so it was not supported that day. Subsequent to the meeting, the Premier was asked whether or not he was supportive of the notion of a value-for-money audit, and he certainly indicated

that he would welcome a value-for-money audit, including in relationship to the issue of Cancer Care Ontario's establishment of the private clinic for radiation therapy.

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Mr Sergio did present the motion again to committee. It was indicated by the committee vote at that time that it would be deferred for further consideration. I hope that the committee would consider it favourably. I do believe it's one of the ways in which we can really examine whether there is a cost benefit to having established this new radiation therapy clinic in a private centre rather than having Cancer Care Ontario run the clinic itself. That is the sole purpose of the motion and something which the auditor has assured me is well within his purview.

I believe the auditor may have suggested that the motion include a recommendation that the auditor report back to the public accounts committee within a period of time. So if one of my colleagues would consider a friendly amendment to the motion, I think that would be very appropriate.

The Chair: Just for the record, although I think it's already on the record, the motion as presented reads as follows:

"I move that the Provincial Auditor be asked to investigate the value-for-money aspects of the decision by Cancer Care Ontario to provide after-hours radiation therapy through a private clinic rather than in-house."

That's the motion as it stands. I understand there may be some amendments to that. Mrs Munro, are you prepared to deal with the amendment that you indicated you might move earlier?

Mrs Munro: Yes. I have a couple of concerns, including those that were raised by the auditor in our previous conversation in the subcommittee, and I certainly want to address a couple of the concerns that he has suggested to us.

I'd like to begin our conversation on this with the wording as it stands with respect to "the decision" in the second line. I'm just wondering whether we might consider instead "the policy," because it's really not the decision that I think is the issue here; it's the question of the policy. I'm wondering if the auditor might also comment on that in that it seems to me consistent with the kind of work that is normally done by the auditor, that he is commenting on policy as opposed to what's implied here in "decision."

The Chair: Basically, your amendment would be to strike out the word "decision" and insert the word "policy." Mr Peters, do you have any comments on that?

Mr Erik Peters: I just want to be abundantly clear: I cannot comment on government policy overall, because I don't want to second-guess the government. But if the view is that this is just the administrative policy of Cancer Care Ontario to privatize, I'm OK. I just want to make that distinction. If we are dealing with administrative policy, I can deal with it. If it is government small-p or big-p policy, I have a problem. If the idea is that I can branch further out into any initiatives by the

government on privatization, like privatization as a policy, that's not within my purview. My purview is the administration.

As it is, I can live with the word "policy" here because I would interpret it, and I want you to understand that I have to interpret it, as an administrative policy decision of Cancer Care Ontario.

The Chair: Any comments? Mr Maves, is it on this issue?

Mr Maves: No.

Mrs McLeod: I have a question: in changing the word from "decision" to "policy," it would not restrict you in any way from accessing the business details that you would need to know to do a value-for-money audit of that policy decision?

Mr Peters: I think the combination of the two words would be clearer to me: "...aspects of the policy decision by Cancer Care Ontario to provide..."

The Chair: I see what you're saying. Do you have any problems with that, Ms Munro? In other words, to insert the word "policy," the use of both words there?

Mrs Munro: I think that's possible.

Ms Mushinski: Just one question of the auditor. Mr Peters, the motion, as it stands, would imply to me that you're going to be asked to do an audit of something that is happening now. This is the potential for Cancer Care Ontario to provide after-hours radiation publicly. If Cancer Care Ontario has not been doing that, how are you going to do a value-for-money audit?

Mr Peters: First, I think you're quite right in pointing out that the word "investigate" may have to be replaced with the word "audit." But there are two things. It is an audit of the decision. In other words, what we would audit at this point is, what is the business plan? What was the business decision that drove this, how was it planned to be? I probably won't be able to report back to you how it actually worked out at a later stage. That will be at a later time, because we'd need to have the performance of how they did it.

Ms Mushinski: OK. That's fair enough. So you'll be looking at this in exactly the same way that a new government initiative may—

Mr Peters: That's right. As to how, for example, MTO outsourced highway maintenance; that sort of thing.

Ms Mushinski: Right, exactly.

Mrs Munro: I'm not sure I'm in order, but I was going to ask, would that explanation be better served by a different wording in terms of what we're asking you to do?

The Chair: He's already suggested that the word "investigate" be changed to the word "audit."

Mrs Munro: Yes, but I'm looking back at the "policy" or "decision" thing. In the comment you made a moment ago—and I'd like you to repeat it for me if you can—on the issue of examining the business plan, is that what you suggested in response to Ms Mushinski's question, would you do this in the same way that you would do any other? My question is, first of all, if you

could repeat exactly what you said, but secondly, whether that should not only change the word "investigate" to "audit," but also this "decision" or "policy" issue that we're struggling with as well.

Mr Peters: We're fine because that is covered by the word "aspect." If we talk about the value-for-money aspects of the policy decision, that would very neatly put me into the administrative box, if you will, on the policy decision. It is a new policy decision. I think that would be worked in.

What I'm pointing out to you is that the main focus of my audit would be on the business plan or the business case for the decision, as opposed to being on execution or whether privatization is a good thing or not.

Mrs Munro: I guess my question came from the fact that that's what I was looking at when I was looking at substituting "decision" and "policy." So I just wondered whether it would be clearer if we referred to the business plan for this decision, as opposed to leaving it. You've suggested that "aspect" is good enough.

Mr Peters: That would be fair enough, or another way—we're doing words here. But for the moment if we take a look and say, "the value-for-money aspects of the policy decision," or take that out altogether: "the value-for-money aspects of Cancer Care Ontario providing after-hours radiation therapy through a private sector clinic." Whether it's a policy decision or whatever, it would leave that off but it allows me to examine the value-for-money aspects of providing the service through a private clinic.

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The Chair: What we would be left with then—and somebody else will have to move it—is that it would state something to the effect, "That the Provincial Auditor be asked to audit the value-for-money aspect of Cancer Care Ontario providing after-hours radiation therapy through a private clinic rather than in-house." That's what it would read.

Mr Maves, are you standing down your request to speak?

Mr Maves: No, my request was to speak to the motion. Right now, we're working on the amendment to the motion.

The Chair: That's right.

Mr Maves: Is my request to speak to the motion—

The Chair: It's still on the list. Absolutely.

Mr Maves: Thank you.

The Chair: There are two other aspects contained in the motion: who it is to report back to and by what time? The suggested wording is this: "That the Provincial Auditor be asked to audit and report to the public accounts committee within X number of months the value-for-money aspect of Cancer Care Ontario providing after-hours radiation therapy through a private clinic rather than in-house."

Mr Ramsay: Just put "as soon as possible."

The Chair: As soon as possible.

Mr Maves, would you like to move an amended version of the motion?

Mr Maves: I won't move it. I'll just put it out there for the committee's and the auditor's consideration.

The Chair: OK.

Mr Maves: I move that the Provincial Auditor be asked to conduct a value-for-money audit on the policy decision by Cancer Care Ontario to provide after-hours radiation therapy through a private clinic rather than in-house.

The Chair: And that he report to the public—

Mr Maves: It leads to further debate when you add that, because "as soon as possible" leads to the questions I raised last week, and that I raise again today, about the auditor and what projects he will defer in order to do this audit, and if he doesn't defer ongoing projects to do this audit, what kind of costs is he looking at to undertake this audit, in addition to his budgeted audits at this point in time, and in lieu of all the audits you have ongoing, when would you be able to undertake this audit if you didn't defer any of those?

Mr Peters: In terms of fully costing it, we would have to do a bit of a plan and analysis of what is involved to find out what the cost of the audit would be. In terms of staff availability, at this moment I would probably be looking at commencing this audit somewhere in the middle of June, because we are fully booked with the public accounts audit starting, the various agencies all having March 31 year-ends coming at us, while at the same time we're winding down the value-for-money audits that go into my 2001 report.

The Chair: When would you have it completed, then? If you start in June, when would it normally be completed?

Mr Peters: Including the planning phases, I would say we would be able to report to the committee in probably a September-October time frame.

The Chair: OK, so when the House resumes in the fall.

Mr Maves: Would you have to drop an audit you're planning on doing in order to accommodate this, or would you just add the increased cost if you've got it in your budget? Do you have to come back to the assembly to get a bigger budget in order to do this? I want to know how that's all going to work itself out.

Mr Peters: I can't answer that question for one very straightforward technical reason; that is, the Board of Internal Economy has asked me to present my budget for the year 2001-02 as of March this year. So it depends very much on how they react to my budget request for next year. That's in their hands. I can tell you, from the comments I left with you about the Audit Act and the funding level of my office, that regardless of how we slice it, I would have to go for more funding and more resources for my office. It depends very much on how amenable the Board of Internal Economy is to that request whether I can accommodate it within what money they give me or whether I have to go for additional money.

As I pointed out to you, at six cents per \$1,000 I'm by far the leanest. Right now my budget is running at about

\$8 million. If I were funded on the same basis as the nearest office, which is the federal government, my budget would be \$18 million, to give you an idea as to what we're talking about.

The Chair: You're very effective, Mr Peters. So it's basically how much the Board of Internal Economy allocates toward his total budget. Only then will he be able to say whether there's enough money to do this specific aspect of it.

Mrs Munro: I want to ask a question in terms of precedents, previous requests of this nature: how have they worked out for you in terms of timing and funding?

Mr Peters: Up to this point I have not gone forward with a request for additional money. The first one will be this year, and that will be in relation to the special assignment regarding the Bruce deal, because that will require expertise to assess that I don't have in-house. This is the first time. Fortunately, or unfortunately, all my staff is on unlimited hours, so previously we accommodated through additional overtime and working longer hours, doing it that way.

Mrs Munro: If I understand you correctly, when previous committees have made motions of a similar nature, you have been able to accommodate those requests.

Mr Peters: Yes, with one proviso: these requests are all made under section 17 of the Audit Act. Section 17 allows me to deal with these requests if they do not interfere with my other duties; therefore, I have accommodated them. I have done what you suggested, Mr Maves: I have not dropped audits to conduct them, but I have taken latitude in terms of when I completed the work in order to put it into the process.

The Chair: Can we leave it this way, then: if this motion passes, depending upon what happens at the Board of Internal Economy, you'll have to come back to us and tell us you either can or cannot do it, depending on the resources you get from the board.

Mr Peters: OK.

The Chair: Is that reasonable?

Mr Maves: Chair, do you have to put that in the motion? I guess you don't because—

The Chair: If he hasn't got any resources to do it, once he gets his budget from the Board of Internal Economy, he will come back here and say, "I can't do it without more resources."

Mr Maves: Or similarly report back on what he has to drop if he's going to do it.

The Chair: Exactly.

Mr Peters: There is a technical way of dealing with it—maybe you can put it in—and that is that the motion be amended to say, "I move that the Provincial Auditor, under section 17 of the Audit Act, be asked to...." This is the section of the act that specifies I can do work on a motion of this committee but also have the latitude of dealing with the resource issue if it conflicts with my other duties.

Mr Maves: Can we read back that final wording of the motion? I'll go along with that.

The Chair: OK.

Mr Maves: Would it then read: "That the Provincial Auditor, under section 17 of the Audit Act, be asked to conduct a value-for-money audit of the policy decision by Cancer Care Ontario to provide after-hours radiation therapy through a private clinic rather than in-house."

The Chair: "... and report to the public accounts committee as soon as possible."

Ms Mushinski: You didn't mind "policy decision"?

The Chair: I'm leaving that out completely.

Mr Peters: I'm easy with just saying, "the value-for-money aspects of Cancer Care Ontario providing after-hours radiation therapy through a private clinic rather than in-house."

Mrs Munro: My original comment was that when we looked at whether it should be "policy" or "decision," "policy decision" kind of gave us the framework we wanted.

Mr Peters: Ms Munro, I'm not unhappy with that. It's not a do-or-die thing that I want to see eliminated. If you would like it in, I have the latitude to do what the committee is asking me to do.

The Chair: Could I read the proposed motion again, which somebody else will have to move, "That the Provincial Auditor, under section 17 of the Audit Act, be asked to conduct a value-for-money audit of the policy decision by Cancer Care Ontario to provide after-hours radiation therapy through a private clinic rather than in-house and report back to the public accounts committee as soon as possible."

Would somebody like to move that?

Mr Maves: I move that.

The Chair: Mr Maves moves it, and Mr Patten seconds it. That's an amendment to the original motion.

Does the amendment carry? Yes.

Does the motion, as amended, carry?

Mr Maves: Recorded vote.

Ayes

Cleary, Hastings, Martel, Maves, Munro, Mushinski, Patten.

The Chair: It's unanimous. A recorded unanimous vote; that must be a first in a while.

Thank you very much.

There's one other issue, and that was the letter that was requested, a copy of which will go to the Deputy Minister of Consumer and Business Services. Does anybody have a problem with the letter?

Ms Mushinski: Chair, I don't have a problem with the letter, but some serious reservations were raised by Mr Peters with respect to the increase from \$280 million originally to \$400 million. I wasn't sure if, in your comments yesterday, Mr Peters, you had actually expressed some desire to incorporate a request for information from the ministry with respect to that aspect, or an explanation.

Mr Peters: I had asked for an explanation, but the wording was rather vague, in a sense. There was not a specific question raised by the members. I wasn't sure at

this point whether my raising that additional question—the question I have, and I put it on the record, is that at the time, the documents we examined said the ministry had gone forward to the Management Board of Cabinet with a request for \$275 million.

Ms Mushinski: That's correct.

Mr Peters: That was in 1991. When we did the audit, that was still the information we had, and that was the factual confirmation we received from the ministry. What I find very astounding is that all of a sudden in February 2001 we find out they have dug up other records that they already knew at the time it would cost \$400 million or more. This is of major concern. Rather than raise it through you as a question, I should tell you that I have to start taking a very serious look at the quality of information ministries bring forward to Management Board of Cabinet for decision-making purposes. That is really what the ministry did to this committee in open hearing; it put into question whether they actually went forward to Management Board of Cabinet with all the information they had on the business case they were putting forward.

Ms Mushinski: OK. That doesn't actually need to be—you're saying, though, that you don't want to incorporate that into your letter.

Mr Peters: No, I don't think the letter will help the committee very much at this point.

Ms Mushinski: OK.

The Chair: By putting that in the letter. Hopefully this letter will help.

Mr Peters: This letter will help with the decision that they actually denied outright information to the committee.

The Chair: OK. Next?

Mr Maves: I would prefer that the other aspect be included in the letter. I want to find out if they had other information in 1991, as they say, that said it would cost more than \$275 million, and didn't bring that forward to Management Board.

The Chair: You want to put that in the letter?

Mr Maves: I think so.

The Chair: All right. It will be put in the letter.

Any further comments? No? OK. We stand adjourned till tomorrow at 10 o'clock in committee room 1.

The committee adjourned at 1224.

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Mr John Gerretsen (Kingston and the Islands / Kingston et les îles L)

Mr John Hastings (Etobicoke North / -Nord PC)

Ms Shelley Martel (Nickel Belt ND)

Mr Bart Maves (Niagara Falls PC)

Mrs Julia Munro (York North / -Nord PC)

Ms Marilyn Mushinski (Scarborough Centre / -Centre PC)

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Also taking part / Autres participants et participantes

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ISSN 1180-4327

Legislative Assembly of Ontario

First Session, 37th Parliament

Assemblée législative de l'Ontario

Première session, 37^e législature

Official Report of Debates (Hansard)

Thursday 1 March 2001

Journal des débats (Hansard)

Jeudi 1^{er} mars 2001

**Standing committee on
public accounts**

Special Report,
Provincial Auditor:
Ministry of
Natural Resources

**Comité permanent des
comptes publics**

Rapport spécial,
Vérificateur provincial :
Ministère des
Richesses naturelles

MAR 16 2001

Chair: John Gerretsen
Clerk: Tonia Grannum

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
PUBLIC ACCOUNTSCOMITÉ PERMANENT DES
COMPTES PUBLICS

Thursday 1 March 2001

Jeudi 1^{er} mars 2001*The committee met at 1042 in committee room 1.*SPECIAL REPORT,
PROVINCIAL AUDITOR
MINISTRY OF NATURAL RESOURCES

Consideration of section 3.13, forest management program.

The Chair (Mr John Gerretsen): Good morning, everyone. I'd like to call this meeting to order to deal with section 3.13 of the 2000 special report of the Provincial Auditor, dealing with the forest management program. Deputy, welcome once again.

Mr John Burke: Thank you very much, Mr Chairman.

The Chair: It's getting to be a daily occurrence.

Mr Burke: It is.

The Chair: We look forward to your presentation of 15 minutes or so, and then we'll throw it open to questions to the members of the various caucuses. Go ahead, sir.

Mr Burke: Good morning to everyone. My name is John Burke. I'm still deputy minister of natural resources.

Mr David Ramsay (Timiskaming-Cochrane): After yesterday? Wow.

Mr Burke: I know.

With me this morning are two colleagues: Mike Willick, who sits at the far end, who is the assistant deputy minister of our forest division; and Bill Thornton, who was the director of our forest management branch up until very recently. Bill is on my immediate left. Bill has gone on for a short-term assignment to the Ministry of Northern Development and Mines, but because he was so intimately involved in much of this material, he has agreed to assist us in our discussions today.

I appreciate the opportunity to discuss with committee the Provincial Auditor's comments and findings on the forest management program in this province. The Ministry of Natural Resources welcomes the work of the auditor as a valuable process to improve the effectiveness and efficiency of our efforts in managing the province's forest resources.

Let me start off by saying that in general, the Ministry of Natural Resources supports the recommendations made by the auditor, and staff at MNR have acted on all of these recommendations. To understand many of the issues raised by the auditor, it's important to have a grasp

of both the general approach as well as the roles and responsibilities for forest management and how they've changed within this province. I'd like to sketch out the larger context for forest management operations and outline our progress in meeting these challenges.

Under forest management, the harvest of crown timber is undertaken by private companies under licences obtained from the Minister of Natural Resources. In addition to giving companies the right to harvest crown timber, licences impose numerous obligations and conditions with respect to forest management and reporting. The major licence type in Ontario is known as a sustainable forest licence, or SFL. At present, there are about 68 SFLs in the province ranging in size from about 300,000 hectares to as many as two million hectares.

Ontario's forest management program has undergone considerable change as a result of three major influences since 1994. First, the Class Environmental Assessment for Timber Management decision in 1994 was a landmark document on how forest management would be undertaken in the province in terms of harvest, access, renewal and maintenance. Second, the enactment of the Crown Forest Sustainability Act in 1995 meant that SFL forest companies, rather than MNR, became directly responsible for forest planning. The companies were also required to carry out forest renewal on behalf of the crown. Third, the implementation of MNR's re-engineering plan in 1996, along with the other factors mentioned, has resulted in MNR's role progressively evolving to one of overseeing the activities of the companies.

The ministry has retained the responsibility for plan approval and for overseeing the independent forest audits of the sustainable forest licence areas. It also is responsible for managing wildlife, protected areas, recreation and non-timber values. MNR now conducts few forest field activities other than those associated with compliance monitoring and auditing. The forest industry has also assumed responsibility for day-to-day compliance monitoring and assessment.

In terms of forest information, while the process has generally been positive, the transfer of management costs and additional responsibilities to the forest industry has not been without occasional problems. One concern that has been raised is the question of who is responsible for data collection and who owns the data collected by the forest industry pertaining to crown forests.

In order to address this, MNR has accelerated the production of a forest information manual which we will

be seeing probably in the next three to four weeks. The manual describes the roles and responsibilities of the ministry and the forest industry in ensuring that information collected and reported remains current in the future. It prescribes the mandatory information and information products required by the ministry and provides field staff with direct legal authority to enforce adherence to those requirements. The forest industry participated in the development of the manual. I'm pleased to say today that the manual is in the final stages of the regulatory process.

The Provincial Auditor has pointed out that the ministry is required to report annually on the management of crown forests under the Environmental Assessment Act so that any necessary corrective action can be taken in a timely fashion. The ministry has renewed its efforts to produce these reports on time. I'm pleased to advise that the three annual reports on timber management identified in the Provincial Auditor's report have now been completed. Subsequent provincial annual audits will be scheduled for completion within 18 months following the fiscal year being reported on.

By the end of 2001, MNR will also produce a five-year state-of-the-forest report. This report will document MNR's progress toward sustainable forest management and will meet legal and policy requirements for forest management reporting. The ministry has also undertaken a review of the delivery of the forest resources inventory, including a quality assurance component, to identify and act upon cost-effective improvements that will meet the needs of forest managers as well as the public.

With respect to forest operations, the auditor commented on the need to address variations between planned and actual harvests in order to ensure that forest management units are maintained sustainably. We are placing greater emphasis on having the forest plan authors provide more realistic estimates of planned harvest levels in future forest management plans. Incidentally, the fact that harvest levels have been lower than planned has helped allow for the expansion of Ontario's systems of parks and protected areas and the creation of jobs by using the surplus of underutilized crown hardwood. It will also help address the projected decline in the crown conifer wood supply, the natural result of an aging forest.

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While these factors will reduce the variance between planned and actual harvest in the future, the ministry is taking additional steps to correct these variances. This includes ongoing training to emphasize the Report of Past Forest Operations as well as the use of independent forest audits.

In his report, the Provincial Auditor asked the ministry to ensure that all operating mills are licensed and report in a timely fashion. By the end of this month, the ministry will have a new procedure in place to address the issuing of mill licences when companies merge or are acquired.

On the topic of compliance with legislation and ministry policy, this was an area in which the Provincial

Auditor made recommendations regarding compliance with legislation, of course, and ministry policy. The 1996 forest management business plan identified major changes in roles and responsibility for delivery of compliance and enforcement. These were required as a result of significant restructuring within MNR. SFL holders became partners with MNR in ensuring compliance in 1997. The transfer in responsibilities has taken place largely over the past four years, and adjustments are still being made in some of the SFL areas. It is important to note that it is this period of time that the Provincial Auditor reviewed and commented on.

With these changes in place, industry, not MNR, takes the lead in compliance planning, education and training of its employees, monitoring, inspection and reporting on operations, and taking remedial action as a condition of the issuance of a sustainable forest licence.

For its part, MNR is responsible for its compliance planning program, setting priorities for spot-checking and auditing industry activities, applying remedy and enforcement action and undertaking analysis and evaluation of trends and, of course, the independent forest audits.

There is no evidence to suggest that the forest industry is neglecting its compliance requirements and responsibilities; however, there is clearly room for improvement. The compliance program review undertaken by MNR during 1999 has already identified the areas noted by the auditor for improvement and action, and steps are being taken to make these corrections.

The Provincial Auditor's findings support the work of the ministry in developing the compliance reporting system that is just beginning to produce trends and records of forest operations. These records, combined with the independent forest audits, will of course over time support an effective, economical inspection process. MNR will continue to review annual compliance plans, spot-check the activities of forest companies to see if they match the compliance plans, and regularly analyze the results of both industry and MNR compliance inspections to identify areas of concern.

The Provincial Auditor noted that ministry inspectors found significantly more variations than industry inspectors did. This of course is to be expected, as companies are required to report on all of the areas they have harvested, whereas MNR inspectors in the past tended to go to likely and reported problem areas.

The auditor noted that some of the MNR monitoring and inspection activities duplicate the work of company inspectors. While it is true that some duplication in compliance and inspections did take place, we felt this was appropriate, particularly during the transition period.

As a result of the Provincial Auditor's report, MNR has undertaken a number of compliance and enforcement activities, including drafting a new policy for field operations that will minimize inconsistencies and promote communication and early issue resolution; making changes in recording, tracking, assessment and analysis of administrative penalties; and developing a new compliance inspector training program, including certification requirements.

On the topic of managing, and managing effectively and efficiently, the Provincial Auditor made several references to ensuring that ministry resources were managed in an economical and efficient way, in particular with regard to the administration of stumpage charges received and forest renewal trusts. With a view to continued improvement, the ministry will continue with its practice of undertaking wood measurement audits on a 15- to 20-company-per-year basis and will systematically address any recurring problems noted in these audits. It should be noted that the margin of error in assessing crown charges has been less than 2% in recent years. To ensure the province receives the proper amount of revenue, MNR has committed to the following: ensuring that the action items resulting from the individual company wood measurement audits are acted upon and corrected within 30 days of that audit; making improvements to the timber resources evaluation computer system, as we call it, TREES; and placing more responsibility on private landowners and the receiving companies to prove that lumber harvested is from private lands by revising procedures.

Improvements to the forest renewal and forest futures trusts administration have been initiated. The ministry will ensure that minimum balance requirements for each sustainable forest licence area account are being met by March 31 of each and every year. MNR has established a process that tracks the monthly balance in each of the forest renewal trust funds. When a forest management company's account balance has slipped below the minimum, MNR will bring this to the company's attention and request that corrective actions be taken as soon as possible and right away.

MNR has set up a process to have the forest future trust charges go directly to that trust, rather than having them transferred following deposit into the forest renewal trust. These changes were initiated on April 1, 2000, and charges to be paid to the futures trusts are now going directly into each of those accounts.

In closing, I want to thank you again, Mr Chairman, and the honourable members for the opportunity to discuss actions taken by MNR to address the 2000 Provincial Auditor's report. The Ministry of Natural Resources views these reports as an excellent way to improve our efforts in ensuring that Ontario's forests are managed sustainably and will be available for future generations to use and to enjoy.

I look forward to today's discussions and would be pleased to answer any questions that members may have.

The Chair: Thank you very much, Mr Burke. We'll start our round of questioning now with the official opposition.

Mr Ramsay: Thank you, Deputy, for the report this morning. Some of the good news you gave us today is that you're getting caught up in the reports and you say there's going to be just an 18-month lag time then on these reports. That is better news, because that was a concern for sure.

One question I have is that we're concerned about the lack of information, that the registered foresters could not

assess the harvest area successfully renewed in 25% of the forest management units they audited. Are we doing better there in really understanding what we have?

Mr Burke: Mr Chairman, as with yesterday, I have colleagues who have specific information on these matters. With your indulgence, I would refer the question to these folks.

Mr Bill Thornton: The answer is yes, we are doing better, and we think we will continue to improve. We've reinforced with the forest industry, through a variety of meetings, the need for them to provide this information in a timely fashion.

The other piece that was missing, as noted by the auditor at the time, was a forest information manual that really collected in one document the requirements to provide this information. You can appreciate there's a whole host of issues with standards for collecting data and timelines upon which it's reported and so on. That manual, as the deputy has pointed out, will be regulated to take effect April 1. We think that will be yet another step in our continuous improvement to record these important pieces of information.

Mr Ramsay: I'm interested in this transition period since 1994 with the Crown Forest Sustainability Act. Before that time, it was the ministry that basically controlled the inventory, planned the cuts etc. It's all changed now. I think it was felt by most of us that the ministry really didn't have a good handle on forest inventory, and part of the thrust of the changes we've made, which I don't disagree with, is that obviously the companies that have a vested interest in knowing what's out there could possibly do a better job in knowing that. So they're doing the work, they're doing the planning. I'm just wondering what the baseline inventory is for this. When you get the forestry plans in from the companies or the co-operatives that are doing this on behalf of a number of companies, how do you verify that the wood is there, since they're doing all the work now and maybe your baseline inventory was 20 years out of date? How are we squaring that?

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Mr Thornton: To answer the question I'll give you a bit of background in terms of how this information is collected in the first place. We need to distinguish between two things with respect to forest inventory. There has been in the past, as you have mentioned, this 20-year cycle of actually conducting a brand new inventory, but also every five years, in preparation for a forest management plan, that inventory is updated. We distinguish between a re-inventory and an inventory update here.

That process of inventory updates has seen a lot of improvements in recent times. It has become far more automated, and all of that information is made available to the planning teams every five years in the course of preparing a forest management plan. MNR does see that as it comes in during the planning process. We also, though, have an oversight role and responsibility in ensuring that the manner in which forest resource inventory

information is collected is consistent, has some quality assurance parameters and so on, and to a large extent these are now being described in this manual that I refer to that's to be regulated April 1.

Mr Ramsay: I'd like to move into some of the measures of effectiveness of what's going on in the forest. What steps has the ministry taken to ensure forest managers comply with the reporting obligations for renewal activities?

Mr Thornton: Again, we've had extensive discussions with the forest industry on the need for them to improve their reporting of that information to us, and that takes a host of forms, one-on-one meetings with individual companies, right up to the association level. I know many chief executive officers were spoken to with respect to this issue and we've seen considerable action since then.

We have also taken great steps in preparation for these five-year plans that I've spoken of to embed this in the training that precedes that planning process. This is training where we bring in the forest companies to explain to them the new guidelines that are to be applied in preparing a plan, and we're focusing on the need for more comprehensive reports, past operation, which includes, in your example here, information on forest renewal. There are a number of steps. Obviously in addition to this, once the manual I've referenced is regulated, we have an additional regulatory mechanism at our disposal to ensure that information is forthcoming.

Mr Ramsay: Another question: are the forest licensees now required to provide a quantitative analysis of the variations between the planned and actual harvests? I know the deputy had touched on that.

Mr Thornton: Yes, they are. They were in the past, and they'll continue to be required. It's not an easy thing to do. There are a lot of reasons why a five-year plan of harvesting does or doesn't materialize, and it can be any of a host of reasons—strikes, fire, for example—that may alter your harvesting plans. Markets, to a certain extent, as noted by the auditor, affect the demand for forest products and therefore the amount of harvesting that takes place. So this will never be perfect. There will always be reasons why the projections for harvesting are not completely accurate, but we require that kind of explanation to be provided.

The reason we do this is we want to make sure that those people who have been allocated crown timber are in fact using it, because if there is additional economic development opportunity to be realized and if it isn't being used, or if there is an opportunity to expand our parks and protected areas network, we have the option of doing that. That's what's behind the request for this information, but as I say, it will never be completely accurate because of those unforeseen circumstances that affect our level of harvest.

Mr Ramsay: The deputy mentioned and explained why there was a discrepancy between the self-compliance activities of the companies versus the MNR verification of what's going on in the forest in that the ministry just does spot checks but the companies report

back on everything. I suppose that would be one explanation.

I'm sure the nagging question out there with the general public is, is it right to give the companies the power to enforce themselves, their own activities? I think there's a real concern there that if MNR is not doing the inventory and the planning work, at least, on behalf of the people of Ontario, they should be there to make sure that what is supposed to be happening in the forest is happening. I was wondering if you're reviewing your compliance and enforcement activities and making sure we're getting good coverage and maybe increasing the spot checks. Are you looking at that activity and how you can do a better job of it? Just give us assurance.

Mr Thornton: The answer is yes, it is being reviewed. Just to go behind the question a bit to give you a sense of what happens here, annually a company is required to submit to a district manager a compliance plan, and that describes the kind of compliance activities they will undertake in the coming year. The district manager has the discretion to approve or not approve that, to require amendments based on particular issues that he may have in his district. Then that plan is implemented by the company and MNR puts in place a series of spot checks to ensure that it's being carried out as anticipated. The company is also required to report annually on the results of their compliance activities.

MNR, as the auditor has pointed out, increasingly focuses attention on the areas where we think there will be the greatest problems with compliance. So when we do our spot checks, they tend not to be random; they tend to be very focused on areas that we believe will be the problem areas. When you look at our numbers you will see that the tendency is to find a greater incidence of non-compliance, because we are obviously focusing on the high-risk areas.

The other thing that's happened during the course of the last few years, during this transition that the deputy minister has spoken to, is that we've put in place a compliance information system to bring together the results of those compliance inspections. There are literally thousands—probably 5,000 to 6,000—of these individual inspections undertaken each year. We want to look at some of the trends to see if there are recurring problems.

To give you an example, we had early signs that there were concerns with water crossings and we saw a number of non-compliance issues related to water crossings. Our response to that was to put in place a training course, to bring companies in to talk about proper installation of culverts and bridges, to embed that in the forest management planning process so that people understood what our expectations were around installing these water crossings. It's been a very successful endeavour in that respect. There is a comprehensive oversight role here that MNR plays in the entire spectrum of compliance activities and so far it's been shown to be effective.

Mr Ramsay: I just have one last question for now and then I'll pass on the questioning time. Are you confident

that the ministry has the resources to do this work right now?

Mr Thornton: It's a difficult question inasmuch as our business has changed so dramatically over the last period of five or six years. We're doing things differently. We're in a transitional state, as the deputy has pointed out, but I'm confident that our management structures are adequate, that the proper oversight and expectations the public have of the Ministry of Natural Resources are being met.

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Mr Ramsay: We have enough people in the field?

Mr Thornton: I would always like to see more. I think any public servant would tell you that. But the fact of the matter is, we re-engineered our business. We have placed additional obligations on the forest industry to report to us on their activities. I don't see a change in that trend. I think the oversight we've provided is adequate. We are able to assess problem areas and prepare remedial actions in response to those. I guess I'm as optimistic as anyone can be during this period of transition.

Mr Richard Patten (Ottawa Centre): Just to follow a question up, the report cited four districts specifically where there was unlawful harvesting without a licence. Have you been able to pinpoint those, and what have you done, and what's the consequence to that?

Mr Thornton: We haven't been able to pinpoint it. When we look at our compliance information system, we don't see a particular aggregation of non-compliance in a particular part of the province. I should point out, though, that when the auditor conducted his work, he sent particular questionnaires and asked for particular information of districts that we weren't privy to. It may be that in that sampling there were particular areas noted in a district. I am aware of some problems we had in north-eastern Ontario with respect to the point raised by the auditor on repeat offences—in other words, taking progressively more stringent remedial action against repeat offenders.

One of the things that has complicated this during the last few years is the fact there have been a lot of mergers and acquisitions in the forest industry, so a company that you may look at today and say, "Why aren't you being more strident with them?" may in fact have been three companies a few years ago. So if you're going to take a progressively more stringent view on remedial action, you don't have the same corporate structure that you had in the past. That's something we've tried to factor into it.

The other thing is, in the transformation of what had been crown activities to industry activities, we've seen co-operatives formed by the industry to undertake the management of these forest management units. Those co-operatives are often bringing together a number of small operators to manage the land base that the crown had managed in the past. One of the things they said to us in this period of transformation was, "Look, we're now all going to be under one licence, whereas before we had operated as individual licences. We don't want automatically to be assessed the same level of remedial

action because one person in this co-operative isn't performing well. All the rest of us don't want to be dragged into it." So we've tried to take that into account too during the transition period.

That's kind of a long-winded answer to your question, but there were some circumstances at play here that helped explain why there were what appeared on the surface to be problems with repeat offenders, if you will, that weren't being dealt with in a more stringent fashion.

Mr Patten: What do you do when you find the non-compliance? Do you take legal action?

Mr Thornton: We have a variety of remedial actions at our disposal. Legal action is certainly one of them. It can be a fine; it can be a court prosecution. Oftentimes, though, it takes the form of a remedial order, where we say, "Go fix it." If it's wasteful practices and you've left too much timber on a site following harvesting, we order them to go back and pick it up, for example.

Mr Patten: The implication from the auditor's report is that—and I understand that your role is now monitoring, but when you did the special investigations, there was a significant difference between the reporting of non-compliance and the self-regulating system, which implies that the self-regulating system, in my opinion, has a built-in self-interest of not reporting non-compliance. So what are the implications for us in Ontario and the role of the ministry in assuring that you feel confident that in monitoring this you really are on top of the compliance with what should take place?

Mr Thornton: Yes. Again, we need to go behind the numbers and remind ourselves that MNR's spot checks are not random; we are focusing on the problem areas. So it only makes sense that we are finding a higher incidence of non-compliance than the more random inspection efforts that the industry shows. In fact, that's the very recommendation of the auditor: take a risk-based approach to your work. The numbers in themselves can be misleading in that respect.

I think the important point here, though, is that we do have a comprehensive system of looking for problems in non-compliance. We are, as in the example I gave earlier, taking action in the form of training, or whatever the case may be, and we're not shying away from the need to take court action. That's a frequent occurrence where we see serious problems out there.

The Chair: Ms Martel?

Ms Shelley Martel (Nickel Belt): Deputy, Mr Thornton, Mr Willick, thank you for coming today. I want to begin by asking you some questions about your budget. The auditor indicated that in 1999-2000 the ministry spent \$70.8 million on forest management. Can you tell the committee what that involved?

Mr Thornton: It's a pretty comprehensive figure. For example, the forest program has a science component, an information component. There's a field delivery component that includes the forest management planning responsibilities, some of the compliance responsibilities that I've spoken to here, as well as enforcement. There are the functions that are provided at more of the main

office level on the policy side and so on. I'm not sure if you want me to get into particular percentage breakdowns.

Ms Martel: Actually, does it involve MNR doing regeneration on its own crown unit?

Mr Thornton: No. There are very few crown units that remain now.

Ms Martel: Is it 10?

Mr Thornton: It's less than that now; it's probably more like—I'm searching for a number here—a handful, three or four.

Ms Martel: The auditor noted 10, but that's OK.

Mr Thornton: Yes, and even since the auditor has done that, there have been some of those units converted to sustainable forest licences. Is that responsive to your question?

Ms Martel: When you talk about \$70.8 million, is that the overall budget for the program?

Mr Thornton: Yes, it is.

Ms Martel: What would have been the budget for the program in, say, 1995?

Mr Thornton: I couldn't give you a precise number there. If you'd like, though, we could undertake to provide you with that information.

Ms Martel: Would you estimate it would have been higher or lower?

Mr Thornton: Higher.

Ms Martel: Actually, could you provide the committee with the budget for the program from 1995 on?

Mr Thornton: Yes.

Ms Martel: Can I ask you as well what staff are attached to that program?

Mr Thornton: Today's staff for the forestry program is 662 full-time equivalents.

Ms Martel: For the forestry program.

Mr Thornton: Right.

Ms Martel: What would that have been in 1995?

Mr Thornton: Much more. Again, we will undertake to give you that.

Ms Martel: Please. If you could give us those figures, budget and staff over the previous five years, that would be most useful.

I wanted to begin by asking you about the annual report. Deputy, we had a conversation about this yesterday, so let me start with you. You already told the committee, and the auditor made it clear to us, that the last report that had been tabled was 1996-97, yet the EA requires you to table that annually. So we are quite far behind, and I heard you say that you are getting those complete, and I suspect that is partly as a consequence of the auditor making a note of it. Then you told us yesterday that it will be 18 months from here on in, from the time the next one is published after the work from the fiscal year is complete. I question even 18 months, because I note that the EA says, "The audit report shall be published by the audit team no later than four months after the initiation of the audit." I'm wondering why, if that's a requirement, it's still going to take you so long to actually get this worthwhile information published.

Mr Thornton: That's a good question, but we're confusing two reports here. There's an independent forest audit, and that's the one you made reference to a four-month period to respond on, versus a time frame for an annual report, which is one we've said takes 18 months following the fiscal year-end to prepare.

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Ms Martel: But the independent audits form part of the government's annual report, do they not?

Mr Thornton: Yes. The independent forest audits are a snapshot on an individual management unit, of which there are about 68 in the province. It covers a period of five years. It looks at very specific things on that unit. That's undertaken by consultants independent of government, and the expectation is that they will provide that report within four months of the completion of that audit. So, for example, that takes a period of several months, where they visit the sites and the company and so on. That's different from an annual report, which is an amalgamation of all the reports for all of those 68 management units and covers a more expansive piece of information than you would get in an individual audit.

Ms Martel: But if the audits by the management teams are provided four months after the audit, all that information should be available to MNR; it should not be a question that most of that information is outstanding in order to compile an annual report.

Mr Thornton: Yes, but again, the independent forest audits that you're referring to are only undertaken once every five years and there is more information in an annual report than is in just an independent forest audit.

But to really get to the nub of your question, which I think is, why does it take 18 months for us to prepare an annual report following the end of the fiscal year? It's largely a logistical problem. For example, we're coming to the end of a fiscal year now, in March. There are activities taking place out there on the landscape, timbers being harvested and so on, today. In order for us to collect this information, or a company to collect it, they'll have to fly aerial photography to take pictures to see where those areas have been harvested. That information doesn't even come in to us until November, so we have a six-month period where that information isn't even available; it's simply being collected. Planes want to fly when they can see cutovers, when there's not snow on the ground. For some of these reports, the information is collected in the summer months, when the field season allows for it, and so on and so forth.

Then there's a 12-month period where MNR reviews that information to ensure that it really is accurate, that the area really was harvested. We may expect to go to a company to look at that photography, for example, to verify this information.

That is all pulled together for those 68 management units and compiled into a report that then has to go through the approval process, eventually being tabled in the Legislature.

Ms Martel: I wonder, Mr Thornton, can you assure the committee that the reason there has been a delay in

the audits being provided has nothing to do with the fact that the crown was pressuring companies to change some of the results?

I'll tell you why I ask the question. In March of this year I received a package with a typewritten note on the front that talked about crown pressure to change these results. "The crown is not managing its area sustainably and not complying with its own legislation. The 1999 audits have been under pressure from the crown, industry and other parties to change the results, and the 1998 audits are not presented to the Legislature, as some contain anti-government comments."

The one document that struck me had to do with the Timiskaming independent forest audit report. It was prepared by KBM Forestry Consultants, out of Thunder Bay. The document I have is dated February 24, 2000. It said the following:

"The audit team found that forest management activities did not fully conform to existing program direction and legislation.... It also found that an assessment of sustainability of the Timiskaming forest could not be made due to the lack of relevant and credible information."

There's a note to the reader that reads as follows:

"The above summary statement was made on November 4, 1999. The draft final audit report was then sent to Dr John Naysmith, chair of the forestry futures committee....

"On November 30, 1999, the chair of the committee, in the light of the draft audit report's conclusion, asked if the audit team would examine four revised forest manager's reports. The reports would be supplied by MNR's Kirkland Lake district staff on January 31, 2000.

"While pointing out that this was an extraordinary request"—that's the comment from the people doing the audit—"it was agreed to examine the revised forest manager's reports and reconsider the audit team's conclusion about the sustainability of the Timiskaming forest should verifiably new or improved information be provided....

"MNR submitted the revised forest manager's reports to KBM on January 31, 2000 and the audit team has compared..." these.

"The audit team has confirmed that, despite the revisions made to the forest manager's reports, the earlier conclusion that an assessment of sustainability could not be made will stand."

That was submitted by Herb Bax, a registered professional forester, lead auditor for the audit team, 2000.

There are a couple of things that really concern me. The audit team themselves, who are independent of government, point out that it was an extraordinary request for MNR to come and ask to be able to do a revision on its document so that the audit conclusions could be changed. I found that very disturbing, because it made me also wonder what pressure might have been brought to bear on other audit teams. Could you respond to this?

Mr Thornton: It is unusual, I certainly agree with you, that an audit team is asked to look at additional in-

formation following the audit, and that's the nature of the request here.

As you've noted, the report stated that they were unable to make a determination as to sustainability because of the lack of information, the same information problems noted by the auditor. The effort that was undertaken was one of asking the district to compile information that hadn't been formerly, originally available to the auditor, in order to allow them to reconsider their recommendations. At the end of the day, as you point out, they did not change. They said that the additional information they had received still did not allow them to make that assessment.

If I may, just as a background to that particular unit, this is an example of a unit in transformation. It was formerly a number of crown units brought together to be managed by a co-operative where the licensees formed a new company, the Timiskaming Forest Alliance, as you've referred to. During that transformation, there were tremendous difficulties in the handoff of information being gathered by the crown versus the information to be gathered by the forest industry, the new management entity there, if you will.

My understanding is that since that time we have gone back and said to the district and to the company, "We want to see improvements. We want to see this information gathered," and there is an action plan in response to those audit recommendations to do that.

Ms Martel: Mr Thornton, I appreciate your comments.

A couple of things strike me. Number one, the Timiskaming unit wouldn't be that different. Over the period of especially 1996-97, you had a number of crown units, for example, that became SFLs that may have been in transition, so I don't think this is an extraordinary and exceptional case.

Secondly, it's clear that the audit team was being asked to change their conclusions because the ministry didn't like their conclusions. My concern is, in how many other cases did that happen, where pressure was brought to bear by MNR staff to change conclusions of independent audits that MNR didn't like?

Mr Thornton: Again, I would disagree with your statement that MNR asked for the audit finding to be changed. It was a request by the forestry futures trust committee, which is the party that administers these contracts with the independent forest auditors.

More importantly, the request that came from the forestry futures trust committee was one of considering additional information to be provided by MNR and the forest company. We did not dictate or suggest to them what the nature of their findings should be. The forestry futures trust committee simply requested that additional information be considered.

Ms Martel: Can you tell us, Mr Thornton, how many other scenarios like this occurred with the draft reports that have yet to be tabled, or in fact even 1996-97?

Mr Thornton: That's the only one that I'm aware of where the forestry futures trust committee asked for

additional information to be considered post the original audit. There are many other examples, as you have pointed out, of crown units being converted to SFLs and experiencing this difficulty in the transformation, but that's the only instance where additional information was requested of the company and MNR.

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Mr Howard Hampton (Kenora-Rainy River): I want to ask some questions about compliance. The auditor states that "over a three-month period in 1999, the ministry performed over 650 inspections in areas where the responsibility had been transferred to forest management companies." Which areas? Can you name them? In which areas were these 650 compliance inspections carried on by MNR in 1999?

Mr Thornton: Are you asking geographically, in which parts of the province?

Mr Hampton: Yes.

Mr Thornton: Throughout the province. The compliance activities took place on—

Mr Hampton: These were the 650 inspections carried out by MNR. I thought I heard you say that you focused your inspections on areas where you knew there were troubles.

Mr Thornton: Right.

Mr Hampton: So where are they?

Mr Thornton: Where are the problem areas?

Mr Hampton: You must know which units they're in.

Mr Thornton: It's not a case where we divert compliance activities from one unit to another. Every unit has a compliance plan, so it would be a question of how we shift our compliance efforts within different parts of a forest management unit.

Mr Hampton: But did I not hear you say earlier in answer to a question from one of the other members that when you did this special compliance work in 1999, you focused on particular areas? You knew where the problems were.

Mr Thornton: Yes.

Mr Hampton: I'm asking you, where are those problem areas?

Mr Thornton: I'll give you an example. We noted, because of some of the trend analysis, the problems in water crossings. So we focused a lot of our compliance activities on making sure that they were properly installed, which led to the remedial action that I spoke of.

Mr Hampton: OK, so you're talking about particular areas of enforcement, not particular geographic areas of the province? I want to be clear on that.

Mr Thornton: That's right.

Mr Hampton: The auditor says, "Our analysis of violations over the 1997-98 and 1998-99 fiscal years revealed that half of the offences for unlawful harvesting and harvesting without a licence occurred in four districts." Where are the four districts?

Mr Thornton: Again, we haven't been able to decipher that, and it may be that the auditor had information on that that we didn't. When we've looked at the distribution of violations across the province, they've been

relatively evenly distributed. We didn't see a particular hot spot, if you will. It may be—

Mr Hampton: We'll get that from the auditor there.

Mr Thornton: Certainly.

Mr Hampton: So in a three-month period in 1999, the ministry performed over 650 inspections, and I want to be clear about this. When you refer to areas, you're talking about subject areas, not geographic areas of the province.

Mr Thornton: When we refer to—

Mr Hampton: A subject area being a water crossing or a trespass, those kinds of things.

Mr Thornton: That's right: at a specific, obviously, geographic—

Mr Hampton: When in 1999 was this done? What was the three-month period?

Mr Thornton: Sorry. What three-month period are you referring to now?

Mr Hampton: This is the auditor's report: "The ministry's role is to monitor the inspection process of licensed forest management companies.... However, over a three-month period in 1999, the ministry performed over 650 inspections in areas where the responsibility had been transferred to forest management companies. In many of these areas, forest management companies had implemented their own compliance plans and inspections," and then they point out that there's a great divergence between non-compliance as reported by companies and non-compliance as reported under these 650 MNR inspections.

It says here this took place in a three-month period. When in 1999 did this happen?

Mr Thornton: I think that's a question for the auditor. The auditor obviously has sampled a three-month period to come up with those—

Mr Hampton: No, this was done by MNR. It says MNR here.

Mr Thornton: We have ongoing activities throughout the year. It may be that when the auditor compiled his information, he focused on a particular three-month segment to make these conclusions.

Mr Hampton: All right. The auditor's report says, "The ministry spent \$5.2 million during the 1998-99 fiscal year to employ over 40 staff to perform monitoring and inspection functions." Was that related to these 650 inspections?

Mr Thornton: That's part of it. It doesn't mean that our compliance activities are focused only on inspections.

Mr Hampton: So you're saying there was nothing unusual about these 650 inspections? That was all routine, no special staff. It wasn't done in response to the auditor; it wasn't done in response to anything else. It was just routine MNR work.

Mr Thornton: That's right.

Mr Hampton: So is that routine MNR work repeated in 1999-2000 and in 2000-01?

Mr Thornton: Yes, we have continued with our same complement of staff, our same level of effort in compliance monitoring throughout that period.

Mr Hampton: This is the 40 staff?

Mr Thornton: Yes, and again it's hard to say for an individual person that they do only compliance, because they may be involved in many different activities—forest management planning, compliance, a host of activities. But for the sake of these here, yes, that is roughly the number of staff that are—

Mr Hampton: I'm left to ask the general question then: in view of what the auditor refers to—650 inspections over a three-month period in 1999 showed that there were incredible discrepancies between what companies were reporting as violations and what the ministry then reported as violations—was anything done to follow that up? What was done to follow that up, anything unique or different?

Mr Thornton: Again, I'll go back to my earlier statement on that. First of all, comparing those numbers is not a fair comparison, because MNR focuses on problem areas. As I stated earlier, our compliance activities are largely focused on the problem areas, so naturally we report a higher incidence of non-compliance than a random sample would. But to get to the nub of your question, which is what follow-up activities take place when we discover non-compliance, it takes a range of forms. Often it's a compliance remedial order to fix the problem. It can take the form of court action as well.

Mr Hampton: The auditor's report refers to our analysis of violations over 1997-98 and 1998-99. Do you have a record of how many violations there were in 1997-98 and a record of violations in 1998-99?

Mr Thornton: I don't have it at my fingertips, but we could—

Mr Hampton: Could you produce that?

Mr Hampton: Yes, we could.

Mr Hampton: Do you have a record of violations for 1999-2000?

Mr Thornton: Yes.

Mr Hampton: You can produce that?

Mr Thornton: We will undertake to do that.

Mr Hampton: Do you know what the trend line is for violations?

Mr Thornton: The trend line is improving in terms of there are fewer violations being found out there.

Mr Hampton: By companies or by MNR?

Mr Thornton: I would think probably by both, but I'd have to return to the figures to give you a correct answer there.

Mr Hampton: Can you break it down between violations recorded by companies and violations recorded by MNR?

Mr Thornton: Yes, we'll undertake to do that.

Mr Hampton: Did you not find it disturbing, when your own people went out there and started looking at areas that had already been inspected by companies, that the first finding was fewer areas in compliance? I believe they said 70% were in compliance; you were down at close to only 50% in compliance. Then in the non-compliance, they said only about 5% were in non-compliance and you found over 20% in non-compliance. Didn't you find that rather disturbing?

Mr Thornton: Again, no, inasmuch as when you're on the site it's obvious that there's been a situation, in most cases, of compliance or non-compliance. So let me give you some real-life examples here. If a company has harvested beyond a boundary, it's—

Mr Hampton: Trespass.

Mr Thornton: It's obvious it's a trespass; there's no question about that. However, there are instances, and let's take wasteful practices, for example, where if there is too much debris left on a site, where is the line? This goes back to our earlier point on the need for some standards to be set there and to be clearly understood by the companies undertaking these compliance inspections to know how much debris is acceptable on the site. So there is a judgment call on some of those. No doubt there probably has been a difference of opinion between the MNR person and the company person on those occasions. The danger here, though, is when we look at summary statistics and we try to compare the results of a non-random sample with a more random sample and draw conclusions from that.

Mr Hampton: It's clear to me from the auditor's report that the auditors were upset about this. He says, "Alternatives need to be considered, such as more directly overseeing company inspectors where necessary or performing ministry inspections on a cost-recovery basis." Have either of those suggestions by the auditor been followed up on by MNR?

Mr Thornton: Not with respect to the cost recovery. What we have done, though, is put in place a training program so that in these very instances that I spoke of, where there is a need for a judgment call to be made, MNR and the company people are together to look at those sites and to determine what is and isn't in compliance. So that's an example of how we've tried to work with the industry to rectify those situations.

Mr Hampton: So there's been a training program.

Mr Thornton: Yes, there has been.

Mr Hampton: Because the auditor says, "The situation at the time of our audit indicated a need for a continued ministry presence." That's the auditor's statement.

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Mr Thornton: And there has been a continued ministry presence in compliance monitoring.

The Chair: We'll have to leave it at that, Mr Hampton.

Mr Hampton: I was just getting to the fun part.

The Chair: I know. You'll have to wait for that until this afternoon.

Mr Hampton: I wanted to introduce my video now.

The Chair: We look forward to seeing your video later on. Government members?

Mr John Hastings (Etobicoke North): The first question I'd like to focus on, Mr Burke, is that in your remarks you talked about the data-gathering in your new decision-making model for forestry management with these two thrusts. I would like to know, has the ministry, sort of the overall supervisor-monitor of this function, been able to figure out with the industry and the sub-

contractors that they're involved with how this data is to be utilized, shared and owned? There's probably a privacy issue involved in who owns what species of wood, where, how many different types of seedlings are being grown in different areas, the types of personnel, I suppose, that are now utilized, who the folks are who are doing this for the private operators. How do you deal with this issue? Have you resolved it?

Mr Thornton: That's a good question and it's one that we've wrestled with for some period of time. It goes essentially to the point of proprietary information. This is a matter that was expressly spoken to in the forest information manual that's about to be regulated, as I mentioned earlier. In fact, there are relatively few circumstances where information about our natural resources should be proprietary. We believe, because these companies are operating on crown land, their activities should be a matter of public record. So where they harvest, how much they harvest, the kinds of seedlings they use, the extent of the road network, their future plans for the upcoming five years, these are all matters of public record. This is the information that we believe should be made available to the public.

There are a few instances, however, where a company may undertake particular investments in, for example, intensive forest management. If they have, of their own accord, spent money on research determining how to grow trees faster, to bring it to simple terms, it may be that they have proprietary information at their disposal in doing that, and that's the kind of information we would protect. We believe that is proprietary to a company. We would not ask for that and therefore it would not become public information. However, the forest information manual will give us the authority to see that information if we choose to see it. We will not own it, and we will therefore not make it public, but we have an interest in knowing how fast that forest is growing so that we can administer the forest under the principles of sustainability.

Mr Hastings: There's a concern here obviously when you change the management model or the monitoring model for figuring out whether the players are complying with what they have agreed upon through these trusts. There obviously must be some sort of protocols for the companies that are involved as to what they're supposed to do. I presume, then, that you have on-site people—inspectors, foresters—who go out and look to see, as you've alluded to in some of these areas that you were concerned about. Does the ministry have a technology plan in place so that the data you're collecting in terms of the species of wood being generated, the climate, all that stuff, are readily available to the people—you folks primarily, but everybody involved—to deal with the auditor's concerns about providing up-to-date, quality information?

Mr Thornton: Yes. I guess the answer takes two forms. We have a science strategy that describes the kind of research and application of technology that take place on the forest. We also have, or will have shortly, a forest

information manual that describes information we require from companies to be provided to the crown on—

Mr Hastings: Is that the one called TREES?

Mr Thornton: No, this is the forest information manual that's to be regulated in April. That gathers together information from a variety of sources, including how much wood has been harvested and so on.

Mr Hastings: When you make this major type of transition—and I don't see much reference to it in the audit of the types of wood that are being harvested—and you're looking for long-term sustainability in the types of trees that we need for the demands of furniture and everything in a modern society, what kind of training plans do you have in place? There are only two universities that I'm aware of that have forest faculties, and that's Lakehead and U of T. Is there enough expertise and will there be sufficient graduates becoming available to manage this new approach to forest sustainability over the next 20 to 30 years? We're already experiencing shortages, or are about to, enduring shortages in almost every area as we go through these generations. Are there enough graduates coming out of these two forestry schools to your satisfaction, to the companies' satisfaction, to everybody who is a player here?

Mr Thornton: In my opinion, no, there aren't enough graduates from those two universities that you've mentioned to meet the demand in Ontario. However, there are universities in other provinces that we rely on and in fact recruit from now to meet the need for professional foresters.

Mr Hastings: Alberta being one, and BC, I guess.

Mr Thornton: Yes, and New Brunswick. There are a number throughout the country, but the supply of undergraduate foresters right now is dwindling. Lakehead University is the only university, for example, that provides undergraduate foresters. The University of Toronto has only graduate foresters now. So we have directed our recruiting efforts, and so has the forest industry, beyond the boundaries of Ontario to attract those professionals.

Mr Hastings: In the harvesting of wood from crown-owned properties, it's primarily the large companies that have the contracts with the forest trusts for the harvest of these woods. Then, my understanding is, they can in turn subcontract out to smaller woods operators for specific types of wood that are required in local markets or in US markets. Do I have a good understanding of that function?

Mr Thornton: The structure is as follows: there is a sustainable forest licence, which is usually a licence held by one of those large companies, but not always. We have some co-operative ventures now as well. In the case of a large company like an Abitibi-Consolidated or a Tembec or a Domtar, most of their wood today is harvested by contractors to that company. So it's more of a primary licensee-contractor relationship in Ontario than it is a multitude of small licensees, but even that is in transformation. The basic model in most cases is a sustainable forest licensee who in turn contracts out timber harvesting, in this instance, to a number of small operators to supply the wood that's required by the mills.

Mr Hastings: Are the requirements or the conditions in the contract between the large players, Tembec as an example, with the forestry trust—whatever the terms and conditions are generally in the principles by which they're supposed to operate in the management of wood species, are those terms and conditions transferred, and would they be generally reflected in the operating agreements between the large companies, like Tembec, when they contract out to the smaller wood operators, the two- or three-person operators, who would go out and cut right at this time of the year?

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Mr Thornton: Yes, they are. Those responsibilities are in large measure transferred to the independent contractors. For example, Tembec would say to its operators, "Here's our expectation in terms of how you're going to harvest timber. You have to follow the guidelines that we have to follow to protect values and construct roads where they should be constructed," and so on. However, the crown's relationship is not one directly with those contractors. Our relationship is with the licensee, so it's with Tembec. If one of Tembec's operators, for example, did something they shouldn't do outside of a boundary, it's Tembec we go after, not the individual operator. Tembec, obviously, has a relationship with that individual operator, that contractor, where I'm sure the penalty we assess Tembec would in turn be passed on to that contractor in some fashion.

Mr Hastings: If I'm a small woods operator and I see some choice types of veneer that I'd like, how do we know that's being managed well? If I take those, because veneer is a very big demand right now in certain markets, what would Tembec do to me as a small woods operator up in Kap if I had signed the—

Mr Thornton: That's between Tembec and the contractor.

Mr Hastings: Have you seen what has happened?

Mr Thornton: Yes. This is a very serious concern for companies, where they want to have operators, obviously, who perform well, because when they don't, it's reflected on Tembec. In some instances, if a company is not complying with a compliance plan and has poor harvesting practices, for example, they can be let go by Tembec.

Mr Hastings: Has that actually happened?

Mr Thornton: Yes, it has.

Mr Hastings: A number of times, then?

Mr Thornton: Yes. There are a number of occasions where contractors have been let go by the larger companies for that reason.

Mr Hastings: I'm now a sort of rogue operator. How am I going to be reined in? Is there a record kept?

Mr Thornton: There may be by Tembec—

Mr Hastings: Do I just go out and cut what I want, go down the road at night?

Mr Thornton: Tembec may keep a record of it. We don't. Our regulatory relationship is with Tembec and not with the individual operator.

Mrs Julia Munro (York North): Thank you very much for coming here today. A great deal has been

discussed this morning about the issues of compliance. I want to come back to that issue in a couple of ways. The first question I want to ask you is sort of a big-picture question. To what degree has technology impacted on the whole area of compliance? It would seem to me that as you were discussing some of the technology that you alluded to earlier, that would also have an impact on your ability in the area of compliance.

Mr Thornton: It's had a dramatic impact, particularly information technology. We now have at our disposal information systems that can gather together the results of compliance inspections, for example, from throughout the province to give us some trend analyses and do that very quickly and in a summary fashion that's of great benefit to a forest manager. Information technology has also provided great advances in a field known as geographic information systems. This is the ability to produce maps in digital form and to simulate a variety of activities on the landscape to try to assess their impact before the activities take place.

I could go on on the science side. We're discovering how to regenerate the forest more rapidly, better, more in tune with some cycles that would naturally take place. Whether it be on the science side or on information technologies, absolutely, there's been tremendous application of both of those areas in the forest management field.

Mrs Munro: I take it from that answer then that it's fair to say that obviously the goals of compliance, if we could use that term, are increasing as the information technology becomes available.

Mr Thornton: Yes, I think public expectation is also increasing around compliance. We're in a better position now to report to the public on that than we were a decade ago.

Mrs Munro: That takes us back to the comments made by the Provincial Auditor in his recommendations on forest compliance and the issue of enforcement. I just wondered whether, given what you have told us, his recommendations came as a surprise.

Mr Thornton: No, those recommendations didn't come as a surprise. The reason they didn't is because we have these systems in place. In large measure the auditor noted that there were already feedback mechanisms available to MNR that gave them some assessment, whether it's compliance or renewal activity or whatever the case may be. The auditor relied on some of our own internal auditing mechanisms to draw his conclusions.

Mrs Munro: There's an issue that was raised earlier that I would just like to come back to, and that is, going back to the auditor's report, he refers to a gap between forest harvest and forest renewal. I guess, as on Ontarian, one has this sense of the special nature of crown lands, so I think this kind of comment sends a little bit of a concern among people. I just wondered if you could come back to that issue in terms of explaining how that gap appeared for the auditor.

Mr Thornton: This is the gap between the harvest and—

Mrs Munro: And the renewal.

Mr Thornton: —and the renewal. Again, the devil's in the details here. It's often difficult to make that direct comparison because, following harvesting of a site, the plans to regenerate it may be plans that cover a decade. So, for example, after a site's been harvested, there's a prescription obviously that says, "At a certain point in time, we expect this site to look like this." Often, that's 10 years later, when we expect to see so many trees of a certain height and a certain species on the site. There is that 10-year lag, in this example, between when an area is harvested and when it's actually assessed for renewal, because it just takes a forest that long to become re-established on the site.

In the course of that 10 years, many things can happen, many natural events. Fires can burn the area that you just planted. Drought is probably one of our biggest problems, where young seedlings can't survive a period of drought in their early establishment. Insects and disease are other examples.

So when we give some measures of how well the forest is being regenerated, we take those factors into consideration in those areas that do fail—and there are failures. There will continue to be failures, for those natural reasons. They go back through the cycle. Another prescription is prepared, treatments to that site reoccur, and we measure it again at some point in the future.

The result that the auditor has noted is that the gap between harvest and renewal levels has been closing. That's a good-news story for us, and that's also reflective of the continuous improvement that we have and the forest industry has in understanding how to regenerate those sites best.

Mrs Munro: Would you also build in some kind of risk management in terms of, over a period of years you'd have some idea of the probability of certain things, like the insects or the drought or something like that? Would that also be included?

Mr Thornton: Yes, that's a very good point. Where that's built into the system is in determining the available supply of timber for harvest. We make downward adjustments, assuming losses to fire and insects and diseases, so that we don't allocate a greater supply of timber than can be sustained.

Mrs Munro: Are we out of time?

The Chair: We've got about three more minutes left.

Mrs Munro: I just need to ask a question, and again it was raised a little earlier, about the question of the changes in market demand and how our forest management plan is able to be developed, recognizing the impossible in terms of not knowing clearly what those market demands might be, going back to the risk-management notion of how you develop those, recognizing the vagaries of market demand.

Mr Thornton: It's difficult. For all those reasons that you mentioned, no company can perfectly predict what the market will hold in store for them in the future. I think what's important from the government's perspective here, and from our perspective as stewards of a

natural resource, is that demand is only one part of the equation. Our focus is on the supply side. What we want to prevent is having an industrial capacity that outstrips the supply, regardless of what the demand is. If the demand in the marketplace were 10 times what it is today, we're under no obligation to meet that. Our forests can grow so much under certain conditions and that's what the limit to industrial expansion will be. While it's an important consideration and it does account for some fluctuations in harvest levels in response to the market, it's not something to become obsessed with from the perspective of forest sustainability. Our job as stewards of that resource is to ensure that we don't cross a line where we're harvesting more timber in the province than can be sustained in the long term.

Mrs Munro: I think that's really an important message, because clearly we're all aware of the fact that there are those fluctuations and we need to be assured that regardless of those fluctuations that's the overriding concern.

Mr Thornton: Right.

The Chair: That's about the time for that. Mr Peters wanted to make a comment, and then I suggest that we recess until 1:30 and start again with another round.

Mr Erik Peters: The comment strictly pertains to information gathering or information providing by the ministry. Certainly the questions that were raised which pertain directly to our report, we'd be very happy to work together with you to provide you with where we got the information, but the flow of information should be really from the ministry to the committee. We'd be happy to work together with you.

Incidentally, and this is maybe the opportunity to put it out, this was one of the audits where it was really a pleasure for my staff to work together with you and we appreciate the co-operation that was provided to us by the ministry when we conducted the audit.

Mr Thornton: Thank you.

The Chair: With that, we'll recess until 1:30, when we'll continue on.

The committee recessed from 1203 to 1333.

The Chair: I'd like to call the meeting to order. We'll start with another round of questioning, starting with the official opposition.

Mr Patten: I was listening to the news. A friend of mine predicted, "In hard times the Americans will always claim that the free trade arrangement is of course not balanced and that there should be some adjustments." I was interested in noting the cry from the northwestern states against BC and the subsidies they're talking about. By the way, when they use the term "subsidy," can they say that about Ontario's situation? What is the American's argument on that? This is not related to the auditor; I'm just curious. But it might be educational for some of us.

Mr Thornton: I'll give you a quick response and Mr Willick will probably want to add to this. The case of the softwood lumber agreement is one that has gone on for years and years, so there's a rich history behind this. In

essence, though, the Americans have argued that the nature of our valuing crown timber, being so different from theirs because of our preponderance of crown timber versus their preponderance of private timber, is fundamentally different and the market forces in Canada are therefore different in determining a price for that timber. As a result, they will allege, because we don't have identical free market conditions, as they see it in the US, where there's this preponderance of private wood, that there is in essence a subsidy of Canadian crown timber. That's sort of the nub of their argument.

Mr Patten: That's why they call for the federal government to impose some kind of an internal tariff on crown land products.

Mr Thornton: For the record, Ontario obviously disagrees with that assertion. We do not feel that there is a subsidy.

Mr Patten: I would think so.

Out of curiosity, can we go back to something that was mentioned that we addressed this morning: in planning and harvesting, the ministry's response to the expansion of Ontario parks and some protected areas under the Ontario Living Legacy. Are any of those parks protected totally from being harvested? What's the arrangement?

Mr Thornton: All of them are protected from harvests.

Mr Patten: So they're all protected.

Mr Thornton: Yes.

Mr Patten: In a sense, that reduced your inventory, and in that sense it means a little bit of a lighter load, which is enormous. I guess just the crown lands are bigger, probably, than in many of our provinces in Canada, the smaller ones anyway.

Under the licensing arrangement, the auditor noted that there were 13 resource processing—I guess these are sawmills or whatever, operating without a current licence. Have you responded to those? By the way, did they give you the data you were looking for this morning? The auditor had said there were four particular districts and you had said that was news to you.

Mr Thornton: There are two questions there, one with respect to mill licences and one with respect to the four districts.

Mr Patten: That's right.

Mr Thornton: With respect to the mill licences, those deficiencies have been corrected, so the 13 mills that weren't licensed at the time of the audit are now.

With respect to the four districts mentioned in the auditor's findings, no, we don't know where those are yet but we will be in consultation with the auditor to find out more about that. It was during a period of sampling that these four districts were identified and we just didn't have that level of detail.

Mr Patten: Under the recommendations on management practices and optimizing economic opportunities, it says here, "The ministry will take steps to ensure all operating mills are licensed and information reports are received." Does that mean a change in your procedures with them or is it just the difficulty of being thin on staff? How does that work?

Mr Thornton: The reason the 13 mills weren't licensed, as we mentioned, has to do with the fact that there were mergers and acquisitions taking place. Given that we issue these mill licences annually—which is changing now. We want to go to a longer period of time, five years. When a mill is purchased by another company, we have to establish what the recognized operating level of wood consumption will be for that mill, and it may change with new ownership. That's just one example of a delay that can be brought about through a change in ownership. But the important point here is that there are no outstanding mills to be licensed as we speak today.

Mr Patten: Let me ask a technology question first, somewhat expanding on the questions of my friend across the way. What computerized systems do you have that enable you to gather the information, store information and communicate with your clients? What do you use?

Mr Thornton: That's a far-reaching question. As the ministry goes, the Ministry of Natural Resources is probably one of the most highly automated in the public service. I would hazard to say that virtually every employee either has a computer on their desk or has access to it. We make extensive use of information systems to share information from one part of this province to another.

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In addition to that, as I've mentioned earlier, we've placed a lot of emphasis on geographic information systems. These are systems that have information about the landscape that allows us to simulate into the future current management activities. It allows us to, for example, compensate for some of the losses we may experience in different fire scenarios. It allows us to consider the impact of disease and insects on the forest. It allows us to adjust our harvest levels for different degrees of utilization and so on. We've made extensive use of that, and so has the forest industry at the same time, for the very same reason: to improve their forest management planning.

I could go on into the science side of things in terms of the information and technology being brought to bear there, but I think the basic message is that this is a ministry that has really focused on that particular opportunity. In fact, we have a whole division that is dedicated to science and information in this ministry and I think it has really set us apart from some other jurisdictions in Canada in that respect.

Mr Patten: Do you utilize satellite imaging?

Mr Thornton: Yes, we do.

Mr Patten: How sophisticated is that?

Mr Thornton: Very sophisticated; it's very expensive too. You have to purchase that from the federal government, from satellites. The problem with most satellite imagery right now is that relative to its cost the benefit isn't there for us in that you tend to get very coarse information and not at the detailed level of inventory that we require. That's why we use low-level aerial photo-

graphy to give us better pictures of the trees that are growing out there and to develop maps from there.

Mr Patten: I just have a couple of questions. John, I don't know if you have any?

Mr John C. Cleary (Stormont-Dundas-Charlottenburgh): Yes, I do.

Mr Patten: On the enforcement side, how is your staffing there? Obviously your staffing has dropped because your role has changed somewhat, but there's still an enforcement responsibility. How have your resources been affected, or have they been affected, in terms of enforcement?

Mr Thornton: On the enforcement itself, and I'm taking that term literally—we equate “enforcement” to our conservation officers—there has been no reduction in the number of conservation officers since 1995. So throughout that change, that transition that our deputy spoke to, we have held constant the number of conservation officers responsible for enforcement. There were reductions, and those were in the compliance functions that we've talked about and those reductions were concurrent with transferring that responsibility for compliance to the forest industry.

Mr Patten: The auditor in his review made a couple of comments, one about the issue of consistency between district offices in their reading of penalties, warnings, severity of penalties, this sort of thing. The response they got from some at the ministry was, “We give them a chance to take corrective action,” but then in following up on that they gave an example in the report—I'm sure you're familiar with it—where in one particular area, in two districts they cited over 100 instances of wasteful practices. The implication would be that the ministry was a little light on the transgressions. What's your response to that?

Mr Thornton: First of all, we agree that there is room for improvement here and we have followed up on those instances. One of the benefits we have with this new information system is to be able to look at those trends beyond simply one small management unit and see if we're finding reoccurring problems on a larger scale. In each of those instances of non-compliance there is a follow-up to make sure that remedial action occurs. The problem is that some of these instances of minor non-compliance can be as little as, for example, “We found some garbage on the site. Go pick it up. There's garbage left on the site.” You don't know if that's from the timber operator or that's from the moose hunter who was there last fall. That's an example where you'd say to them, “Go fix it. We're not going to give you a penalty, we're not going to take any more action as long as you go and pick up that garbage.” That's a minor example.

There are more serious examples, one of which I've spoken to, and that is when a water crossing is improperly installed that results in siltation that can damage fish habitat. That's a very serious matter and that's a matter which we focus our attention on.

Mr Patten: Have you revoked any licences or not renewed any significant licences in the last couple of years?

Mr Thornton: I know that we have never revoked a long-term licence, a sustainable forest licence. We did have one example where a company was not performing to our expectations, and rather than renew that licence for a 20-year period—and this is how these licences actually work; they're 20-year licences and they are renewed to 20 years based on successful performance. There was one example where a company didn't perform up to our expectations and we let that tick down to 15 years, and less than that, until their performance improved. That is seen as a threat to them because it effectively reduces their tenure and in turn can make it more difficult for them to raise capital for their operations.

That's probably the best example that comes to mind. There may have been examples where a very small operator stole wood or something like that where we cancelled the licence, but in terms of the large companies, that's the only example that comes to my mind.

Mr Patten: When a financial penalty is imposed, how does that work? How does the ministry proceed with that?

Mr Thornton: It can take two forms. One is an administrative penalty and the other is an actual offence where you go to court. In the case of an administrative penalty, we review the situation, determine if there in fact has been a violation, and we say, “Here's a penalty; please pay it.” If they agree with it, it's paid. If they don't, they have the opportunity to take that to a court.

The more serious infraction actually goes directly to court, where we're in front of a judge or a justice of the peace and he administers justice under the Crown Forest Sustainability Act.

Mr Patten: How frequent is that and what would be the largest penalty that has recently been served?

Mr Thornton: I don't have that information at my fingertips. In my personal experience I've been involved with some that were tens of thousands of dollars. Fifty-thousand-dollar penalties, for example, are not uncommon.

Mr Cleary: We hear a lot about forest fires. Is that the responsibility of the licensee or the MNR at the present time?

Mr Mike Willick: The Ministry of Natural Resources is responsible for forest firefighting.

Mr Cleary: So that hasn't changed.

Mr Willick: That hasn't changed. We do have partnerships with the forest industry to take initial action on fires on their limits, to be prepared and to support our activities. It's a partnership, but we provide, by and large, the initial response in the firefighting capacity in the province on crown land.

Mr Cleary: So those are still employees of MNR that fight the fires?

Mr Willick: We have a core group of employees within the fire program in the ministry who handle initial attack—firefighters, pilots, support staff—and we hire contract people to help us in the far north. Aboriginal people are formed into crews and they help us. In the more industrial part of the province, industrial forest, we

have contract crews that have to meet our standards. That's the big thing. They meet the fitness standards, the training standards, and they're rostered and available for short-term hire.

Mr Cleary: So the policy's pretty much the way it was before, then.

Mr Willick: Yes.

The Chair: Any other questions?

Ms Martel: I'd actually like the auditor to give us some clarification with respect to compliance, because there was some confusion over the reference that you made, Erik, on page 231 to a three-month period in 1999 where the ministry performed over 650 inspections in areas where responsibility had been transferred to the forest management company. Can you explain what that reference is?

Mr Peters: In what way?

Ms Martel: When we questioned the ministry about that, they didn't understand what the reference to the three months was. As I read that I assumed it was a specific, special effort that was made by the ministry to review compliance on land where industry was regulating. Are we wrong in assuming that?

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Mr Gerard Fitzmaurice: No. The period is April to June 1999. The ministry has a report that they produce quarterly. That was the most recent one at the time of the audit when we first went out there. This report gives inspections by area. It shows how many inspections were done by the ministry and the results of those inspections, and how many were done by the industry and the results of their inspections. What we have done is take out the ones where the ministry itself or the crown units have done all the inspections and the ones where the industry did all the inspections—just the ones where there's duplication.

It is true that in some areas inspections are more focused on problem areas. But in other regions we spoke to the people in the field who do the inspections and I think they are of the opinion that they're doing pretty much the same job they did before. So I think it's a variation throughout the province. We can't really extrapolate out of that report which ones are targeted and which ones aren't unless we actually went and reviewed all 600 of them.

We think it's a problem. It may not be of the magnitude that would first appear in that graph, but we think it is a problem. There is duplication. I think what we have tried to emphasize is that the ministry should be more focused in what they do and oversee the work that is done by these company inspectors. In some cases, they are redoing inspections.

Ms Martel: The 650 refers to a three-month period, and the 650 inspections exclusively by ministry staff were to review what had been done by industry staff, am I correct? Is that what that reflects?

Mr Fitzmaurice: No, it wouldn't. It would be a mix. Some would be targeted inspections by the ministry; some would be unfocused, regular inspections.

Mr Thornton: If I may help.

Mr Fitzmaurice: OK, go ahead, Bill.

Mr Thornton: I think we've left a mistaken impression that there was a special investigation comprised of 650 inspections focused on a particular geographic part of the province. That's not the case. What happened was, during that year, there were about 2,000 inspections. The period of time chosen by the auditor to make the findings was a three-month period where 650 inspections throughout the province were looked at.

Ms Martel: So the reference, for example, to \$5.2 million to employ over 40 staff was not special? You regularly have \$5.2 million for 40 staff who carry out those inspections?

Mr Thornton: Yes.

Ms Martel: That was 2,000 inspections in total by industry and the ministry?

Mr Thornton: No.

Ms Martel: Two thousand by MNR?

Mr Thornton: Right.

Ms Martel: Is that more or less than you would have done this year or in the year before the audit was done? Is that about an average?

Mr Thornton: I'll give you a sort of summary, if I can.

Ms Martel: Sure.

Mr Thornton: Forgive me if my numbers aren't precise; I don't have them at my fingertips. In the year 2000, we'll probably do something close to 6,000 inspections in total: roughly 4,000 of those by the forest industry and roughly 2,000 by MNR. If you were to go back to an earlier period of time, say 1995-96, when only MNR was doing inspections, that figure would have been closer to 4,000 inspections. So over the period of time from 1995 to today, we've gone from about 4,000 inspections to 6,000, and over that period of time, obviously industry has come on stream and now accounts for two-thirds of the 6,000 inspections being done annually.

Ms Martel: I guess my concern would be the quality of the inspections being done by industry. I hear you telling us that more inspections are being done overall. But even in that snapshot the auditor pointed to a serious problem where MNR inspectors themselves would have had orders for, or identified, far more violations than industry. So I'm not clear how much further ahead we are if the quality of the work being done inside the private sector is not identifying the violations that are there.

Mr Thornton: Yes, and this is the difficulty we have in interpreting summary data. As I mentioned earlier, MNR's efforts tend to be more focused on the problem sites, although not completely, so we have a higher incidence of non-compliance, whereas the work a forest company does tends to be more random, looking at the scope of their operations. As a result they're getting fewer instances of non-compliance, as a percentage.

Ms Martel: But wouldn't it be the reverse? Bear with me for a second. You've got a forestry company that's now responsible for a single unit, right?

Mr Thornton: Right.

Ms Martel: I assume their inspectors would be much more knowledgeable about their unit than an MNR inspector, who could be doing inspections in a number of units. So I would expect exactly the opposite. I would expect the company to be able to identify, much more, a violation on their own property—I use that term loosely; I know it's not theirs—because that's the only unit they're responsible for.

Mr Thornton: Let me go back to the nature of the compliance plan and how we follow up on that. When a company submits to MNR their compliance plan for the upcoming year, we require it to cover the scope of their operations. We don't say to them, "Just go out and deal with the areas you think are a problem." We want them to look at the scope of their operations. Frequently, in the course of carrying out those inspections, they'll report to us, "We've found an instance of non-compliance." Immediately one of our people will go out and visit that site. So right off the bat, our people are going to an instance of non-compliance. Ours are not as random as the industry's efforts in terms of inspecting a site.

Let's say there is an example of non-compliance—I'll use my garbage example. It may be that we go back to that site a couple of times to make sure the garbage is picked up. Now we've had three instances where an inspection of non-compliance is submitted to the system. We've gone back and checked it three times, whereas the company visited that once and said, "There's an example of non-compliance." All I'm trying to do is point out with some caution here the fact that these numbers can be misleading if you don't take into account the random and non-random nature of the inspections.

Ms Martel: Except you've already told the committee—and correct me if I'm wrong—that by and large MNR is going to problem spots. So I wouldn't assume that MNR is going back three times to do inspections for garbage. You're going back to problem areas, as I think you've already told the committee.

Mr Thornton: That's right. I used a poor example. I should have said a water crossing that takes three months to repair or whatever the case may be.

Ms Martel: I'm suggesting you're going to areas where there are serious problems. I'm supposed to understand that, is that correct?

Mr Thornton: Yes.

Ms Martel: It's not adding up for me in terms of your saying MNR might be doing some of these inspections and we shouldn't assume that just because the industry is not picking these up, they're less or more serious. You're already going into areas where serious problems have been identified. Why wouldn't we continue to have an ongoing concern that while you're picking up the serious incidents and trying to deal with those, the industry is not picking those up, or maybe they're just letting them go in some cases, they're not being as stringent as your folks are?

Mr Thornton: Again, when we have a report of non-compliance, regardless of its significance—

Ms Martel: Your own staff or industry?

Mr Thornton: —we visit that. In the case of garbage, you're right, we would record that non-compliance, and hopefully it's fixed within a day or so and it's over with. But if we go to a site where it is more serious, a water crossing has washed out and we say "Fix it," and fixing it is going to take a period of days or even weeks, then every time we go back to that site, we're recording an instance of non-compliance. If you visit five times during the course of that repair taking place, you have five instances of non-compliance, compared to the one instance reported by the company when they first brought it to our attention. Those are some of the dangers in comparing these numbers, and that's my only point.

However, I do concede the point you made that there are cases where a company inspector and an MNR inspector may visit a site and look at it, and it calls for a judgment as to whether or not that is in compliance. There may be a difference of opinion there.

I wish it were as simple as black and white: you either harvested on one side of this boundary line or you didn't. For example, if you visit a site and there are standing trees left on the site, that could be wasteful practices. However, our guidelines for wildlife habitat require certain numbers of cavity trees to be left for nesting purposes for certain birds. However, the Ministry of Labour says, "If they are in a very poor condition, such as could be a safety hazard, they need to come down." At the same time, the operator is saying, "I don't want to waste my time harvesting a tree that I may not have a market for because I've got a market for the softwood but not the hardwood," for example.

So now you're looking at a site and you're considering all those dynamics at once, and inspectors decide whether or not this is a case of wasteful practice. That's where the training comes into effect. That's where we've tried to bring the parties together on the site to have some consensus as to whether that's an example of an infraction or not.

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Ms Martel: Is MNR going to increase its own inspections of industry inspections in response to the auditor's comments?

Mr Thornton: I'll defer to my colleagues here. I don't think there are any plans to increase the staff complement in compliance for the coming year, but I'm not privy to that information.

Mr Willick: That's true. We don't have plans to increase the staff complement to do that. The secret is to make sure we're focusing on the right areas, collecting the right data, and training the people so we have a common understanding with the forestry industry of what needs to be collected and reported on.

Mr Hampton: This may sound like going over an old horse again, but I just want to be clear on something. In the auditor's report, the auditor identifies four MNR districts where most of the compliance problems are coming from. I want to be clear that we're going to find out what those four districts are, we're going to get that information.

Mr Thornton: Yes, we are.

Mr Hampton: And you're going to make that information available to the auditor? How is this going to work?

Mr Peters: We are going to tell them what we have and the ministry will let you know what the four are.

Mr Hampton: OK. I'm sorry if I'm picking on this, but I want to make this clear. The auditor says, and this is what I understood, "The ministry's role is to monitor the inspection process"—not to do the inspection process but to monitor. Then the auditor's report says, "However, over a three-month period in 1999, the ministry performed" all these inspections. What I want to know is, is this monitoring or is this inspecting? Is it within what was anticipated when compliance was turned over to the private sector or is this different than what was anticipated? Because from the auditor's report, the auditor says, "MNR's job now is to monitor." But then there is the "however"—however, MNR went out there and started doing its own inspections of areas that had already been inspected by the private sector and found a lot more violations. So are you monitoring now or are you inspecting, and is this different than what was originally anticipated?

Mr Thornton: This isn't different than what was anticipated. We knew that the effort in inspecting forest operations will go mostly to the forest industry, with a role for MNR to do the spot checking. If the very coarse numbers that I've given you are any indication for last year, two thirds of the inspections are in fact being done by the forest industry and one third by the ministry. We think that is the kind of level of oversight that is necessary to say with confidence that we have a handle on the inspection activity of the forest industry.

The auditor has pointed out, I believe, if I interpret this correctly, that even that may be more than is necessary. Our deputy has responded by saying, "If there needs to be some overkill, if there needs to be some redundancy of effort, this is an area where I'm happy to see it because of the contentious nature of this activity."

Mr Hampton: The auditor recommended that you essentially do a compliance and enforcement review, and I believe the deputy referred to a compliance review by MNR in 1999. Are there any documents about the outcomes of that review?

Mr Thornton: Yes, there is a document.

Mr Hampton: Do we have that?

Mr Thornton: I don't know if you have it. It's an internal document that we're acting on and we're still in the process of making sure its recommendations are followed.

Mr Hampton: Does the auditor have that document?

Ms Martel: Can I just be clear that that is in response to the auditor's comments? Because I thought the auditor completed his review after 1999.

Mr Thornton: You're right.

Ms Martel: All right, so—

Mr Thornton: We were already, of our own accord, undertaking a review in 1999 of the compliance function

before the auditor appeared on the scene. That has resulted in a report and we're acting on that report. In addition to that, we committed, in response to the auditor's findings, to undertake a further review. That review has not yet been initiated because we want to get the results and the actions in place from our original 1999 review before we start another one.

Ms Martel: Can I ask what the difference is between the two?

Mr Thornton: The other one hasn't even started yet. The review that we have committed to the auditor to undertake hasn't been initiated yet.

Ms Martel: But what's the difference in terms of the one you've already completed? What are you looking for that's different? What are you going after that's different?

Mr Thornton: Probably there won't be a huge difference. It will be in degrees of implementation. For example, the one that we undertook in 1999 was really to assess the early years of this new arrangement where the forest industry was taking greater responsibility in complying.

Since that period of time, we have new players on the scene. We've got the ability now to do some trend analysis in terms of compliance problems and I think you'll see in the upcoming review we'll learn from some of those mistakes, some of those pieces of information, that feedback, and hopefully be able to continuously improve here.

Mr Hampton: So that part of the auditor's recommendations, even though your response was you will initiate a review, you have not done that. So the compliance and enforcement activities review hasn't happened, as required by the auditor's report.

Mr Thornton: That's right. It has not been initiated yet.

Mr Hampton: There are some other points he made. He said, "Identify areas at high risk of non-compliance where ministry inspection staff should focus their efforts." Has that happened?

Mr Thornton: Yes, that is happening on an ongoing basis and I think it's partly reflected in the explanation I've given as to why it's difficult in comparing those instances of non-compliance. We have always and we will continue to focus our efforts on areas where we think the greatest problem exists and therefore the higher probability of non-compliance.

Mr Hampton: So I'll ask the question I asked this morning: Is that done strictly on a subject basis, or is it also done on a geographic basis, or is it done on a company basis? You indicated earlier that one company was told, "We're not going to extend your licence because you're simply not living up to the requirements." So is it done on a subject basis, an area basis—that is, a district basis—or is it done on a company basis?

Mr Thornton: It could be any combination of those, depending on the circumstances. I know that sounds like a vague answer, but I've given you one example where it's a subject basis, water crossings, for example. I'm also

very familiar with situations where within a management unit, because there are different contractors undertaking those activities within the management unit, you're more likely to look at contractor XYZ as opposed to contractor ABC.

If we felt there was a particular problem beyond that with a company or in some cases even fraudulent activities, then we could also mount an undercover investigation to look at that, and that has happened in the past.

Mr Hampton: Even though it sounds in this report as if the three months were a special three months, I now accept that this is not special, this happened in 1999. So what you're saying is, this work was ongoing in the year 2000. You would have gone out there in 1999-2000 and you would have continued to do these inspections. The results in 1999 showed that there was a significant disparity, industry saying, "We're in compliance," MNR staff saying, "Oh, no, you're not." What were the results for the year 2000?

Mr Thornton: I don't have those at my fingertip, but I think in an earlier undertaking we said that we would provide you with that.

Mr Hampton: And for the year?

Mr Thornton: The year 1999-2000.

Mr Hampton: Yes, OK.

The other issue is, obviously some of the enforcement also depends upon compliance. So what have you done on the enforcement end, given that you've found some problems with respect to compliance? For example, in those places where MNR staff have found companies not in compliance and the industry has said, "We're in compliance," what happened in those cases?

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Mr Thornton: In all cases where we find instances of non-compliance, there's a follow-up action. As the auditor has pointed out, it can be anything from a warning to an administrative penalty or a court-imposed decision on an offence. No instance of non-compliance is left unattended to. I can't give you any more information than that until we get into the specifics of a particular instance of non-compliance.

Mr Hampton: Do you know, for example, how many charges would have been laid, say, under the Public Lands Act, or how many charges would have been laid under the Crown Forest Sustainability Act? Do you keep that information in terms of compliance?

Mr Thornton: It would be kept. Again, I don't have it at my fingertips.

Mr Hampton: So you'd have it for 1999?

Mr Thornton: Yes, we should have charges under—

Mr Hampton: You'd have it for 2000?

Mr Thornton: For 2000-01? Probably not, because we're still in the midst of 2000-01.

Mr Hampton: I believe this refers to 1998-99. So there'd be 1999-2000, and then we're just coming to the end of 2000-01. So you should have it for last year.

Mr Thornton: We can undertake to provide that. I can't guarantee you that that summary has taken place,

but it seems reasonable that that information should be available.

Mr Hampton: Could we get it for 1998-99 and 1999-2000 and, when it becomes available, 2000-01?

Mr Thornton: Yes.

Mr Hampton: Just one other question that I found troubling, and that has to do with the forest renewal trust fund and the auditor's point that there were several companies that were not maintaining their minimum balance, and in fact a company that was totally, I would think, in breach of the act. How can that happen? How can a company not be putting into the trust fund the required amount of money on a periodic basis?

Mr Thornton: OK, this is going to take me a while to explain. The way the trust fund works, as you know better than almost anyone—

Mr Hampton: There have been some changes to it. I'm not sure I like any of those changes.

Mr Thornton: Then for the benefit of the committee, as crown timber is harvested, there is a set fee, which is deposited into a trust fund. That money is held in the trust to be used only for regenerating the area that has been harvested. As part of the design of the trust fund, the government insisted that there be a minimum balance in place at one point, March 31 of each year. The reason it insisted on that is that it wanted to make sure that there was always at least one year's worth of money available to regenerate the site that had been harvested.

Why one year and why the need for this? It was an insurance policy, if you will, because during the course of a year, for example, if any unforeseen event were to arise, there would still always be money set aside to regenerate this area. So that's the reason for the minimum balance. That was roughly approximated at one year's worth of renewal cost by a management unit.

Mr Hampton's point is correct: some companies on March 31 of a given year have not met that prescribed minimum balance. The reason for that is varied, for example, the Domtar strike at Nairn. Timber wasn't harvested. Because timber wasn't harvested, monies weren't paid into the trust and they didn't meet their minimum balance requirements. Nevertheless, the renewal work took place.

In all of these instances where a minimum balance hasn't been met, we require the company to report to us as to why and to give us a plan as to how it's to be corrected. In that instance, Domtar said, "As soon as the strike is over and we've resumed harvesting timber, don't worry, we're going to be putting the money in."

The more common example is where management units are being merged. What happens is that a company will say, "Look, I'm in a surplus situation on this unit; I'm close to the edge on this other one. My future plans are to merge these together, and there's no question that I'll be well over my minimum balance when that happens, but I'm in a transition here where I will miss that." That was very frequently a situation that we ran into.

The important point here to leave with the committee is this: right now the minimum balance as aggregated

across those participants in this trust fund arrangement is to be \$90 million. If you look at our balance today, we have \$155 million in there, so there really is no fear that this trust is being depleted or is in danger of not living up to its original expectations. But there are these management-unit-specific cases where minimum balances have not been met.

Mr Hampton: There was one company that was a more serious situation. It wasn't a question of minimum balance; they were, as I understand it, in a deficit. How did that happen?

Mr Thornton: Poor timing in terms of the processing of an invoice. As I mentioned, the minimum balance is to be met on March 31 of each year. This is a company that had sent in an invoice to draw monies out in April that was processed by the trustee faster than expected, and as a result they had a deficit on March 31, which then became a surplus after the fact. So it was a timing instance. We investigated that particular example to determine this, and it has been rectified to our satisfaction.

Mr Hampton: I want to go back to compliance and enforcement. I just want to be clear on this. Since the auditor asked for it, in effect a review of compliance and enforcement, and the ministry committed to it—and this is 1998-99; we're now in 2001—when is this going to happen, this review of compliance and enforcement activities, the one the auditor asked for a year ago?

Mr Thornton: I'm presuming it's going to happen within the next year, but not being with the ministry now, I'll defer that to Mike.

Mr Willick: I want to make sure it's clear that this is just good management practice that we're talking about. We had some ideas on how to fix the system back in 1999. We're putting them in place now. We need to look at how that is working. Then, in answer to the auditor's report, we look at it once again and fix it again. This is an ongoing thing. I would commit to within a year. Within a year we will do the review that's in question.

Ms Martel: Can I just be clear, Mr Willick. You don't see any specific changes as a result of what the auditor said? It sounds like it's just more of the same. I'm not trying to undermine your process, because it's a very important one, but I would have thought, as a result of the auditor identifying what he did, that there would be some more significant changes, I guess is the way to describe it, with respect to the report, what you're looking for and what you plan to do.

Mr Willick: I'm hoping, as we implement the review that was ongoing and completed just when the auditor was doing his report, that we would have woven within our actions the good thinking that the auditor has brought forward to us.

Ms Martel: In terms of the review, let me ask you if you're doing this or would consider this in response to what the auditor identified. Clearly we've seen today that there are cases where the ministry identified violations and cases where the industry did, and there's quite a discrepancy. Is the ministry able to track those cases where that difference exists to determine the seriousness

of the violation, then? You may assume that there are some violations that are minor and so we missed it, but are you in a position to track those cases where the discrepancy existed to determine if the violations are indeed quite serious and whether it was just wilful negligence on the part of the company or training or that they were missed?

Mr Thornton: Yes, we can track them. We have categories, if you will, as to the significance of the infraction, and obviously the more serious the infraction, the more emphasis we would put on tracking that. We need to track it not only in terms of the type of infraction but also, as pointed out by the auditor, whether or not we have a repeat offender on our hands there as well.

I should back up for a moment and give a broad comment on this whole matter of compliance, because I know the environment under which the forest industry is now operating has changed compared to a decade ago. Where they tried in the past to get away with matters of non-compliance, there's really no benefit to them today, for two reasons. First of all, if it's taking the best wood and leaving the rest, we're at a finite point now where there simply is very little wood available beyond that which is committed. So they're really stealing from themselves if they leave wood on a site that they could otherwise use.

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Now, for example, we have companies spending a lot of effort in taking the tops of trees that 10 years ago would have been left on a site without any question. In fact, the day will probably come where we're concerned that too much fibre is being removed from a site. The whole issue of wasteful practices is one that's already diminishing in terms of its significance to the industry and, in some respects, to us.

The other thing that's happening is that these companies are in an international environment where they're under the microscope by not only their shareholders but some very sophisticated environmental groups. Now you see companies aligning themselves with these environmental groups to say that, "We want to adopt your certification system, to be reviewed by the Forest Stewardship Council, for example, to get certified under that environmental certification system, to prove to our shareholders, to prove to our customers nationally and internationally that we are good stewards of the resource." So there's been that change in the whole overall environment in which these companies play where in fact they're very proud to say, "We have our own compliance system now. Here are the kinds of things that we report on. Here's the remedial actions that we take of our own accord, quite apart from that which is imposed upon us by the government."

I think that's a good signal. That has really helped our case in recent years. Companies have really focused on the stewardship role that they have, as it's seen by their shareholders and their customers.

Ms Martel: I appreciate that. Water crossings, for example, which MNR would consider a serious contra-

vention for fish and wildlife, might be very important to MNR and not so important to some of these companies, because it has little to do with selling their product in that respect, right?

Mr Thornton: Although, in difference to that, where environmental groups have, of their own accord, taken investigations—some groups have done this in Ontario, where they've investigated the activities of companies. The area they have focused on most heavily is, in fact, water crossings.

It is on their radar screen. That's my message. It is on the radar screen of more than just MNR and the company. The environmental community is focused on this as well.

Ms Martel: Can I go back to the trusts? We checked with the Clerk's office this morning to see when your trust documents were tabled, because if I understand the act correctly, those documents are to be tabled annually as well.

Mr Thornton: These are the—

Ms Martel: The forest renewal trust fund and the forestry futures trust fund are supposed to be tabled in the same way as the forest management documents. The last one that was tabled was the year ending 1997 for both documents. Can you tell the committee why you're so far behind again in tabling these public documents?

I would expect they're important indicators, especially the renewal, of the level of investments in regeneration that a lot of members of the public would be interested in. So why is the ministry out of compliance so significantly?

Mr Thornton: To be honest, I thought that there were more current versions of that that had been tabled. I'll undertake to find out where those are.

Ms Martel: For the forestry futures, the last report was June 1998, which covered the year ending March 31, 1997. That is the same for the forest renewal trust fund document.

Mr Thornton: OK, 1997-98 is the most current version, then.

Ms Martel: No, ending March 31, 1997. They were tabled in June 1998 with the Clerk's office.

Mr Thornton: Oh, sorry, OK.

The Chair: Can we go on to the government members now.

Mr Hastings: Mr Thornton, I'd like to continue along the lines of the compliance situation. Do you folks have a common, formatted compliance reporting system that the ministry and the industry use that would record the types of incidents—major, minor, dates—whatever type of data you would have on those? I assume it's a computerized, formatted situation.

Mr Thornton: Yes, we do.

Mr Hastings: Would it be possible to provide the committee with a copy of that type of report?

Mr Thornton: Yes. We can provide you with a copy of a standard inspection report.

Mr Hastings: OK. I presume that a report where there are serious problems, either of an environmental nature

or a wastage of wood—are those considered major, serious incidents?

Mr Thornton: It depends on the magnitude. I'll give you an example. A very common example we run into is that when wood is harvested on a site, it's usually brought to roadside where, in turn, it gets trucked to the mill. When wood is brought to roadside, there is often wood placed underneath the pile that gets pushed down into the snow or the mud or whatever the case may be and it's not visible until the spring. Even though the wood is trucked away in the wintertime, in this example, a return inspection in the spring may discover that underneath the snow there are in fact pieces of merchantable crown timber that should be removed from the site. In that instance, we would look at that as a minor instance of non-compliance. We would order the company to go pick that wood up and away it would go.

A more serious example, and this has happened, would be where you have an operator working at night—some of these operations are 24 hours a day. They're working in the dark, obviously; they crossed the boundary line where they were not to have crossed and they are now harvesting outside of their allocated block. In some instances it may even be a problem because there may be a specific value there that you're trying to protect, an osprey nest or you name it. In that instance—a more serious matter, obviously—we would take more serious action in terms of administrative penalty and require them to immediately correct any damage to the value that may have been incurred there.

Mr Hastings: When you talk about financial penalties or administrative penalties such as changing the lease date, which is usually 20 years—

Mr Thornton: Yes, the licence.

Mr Hastings: —back to, say, 17 or however that happens with that particular company, can the ministry provide this committee with the amount of money on an annual basis of financial penalties for the problems that have occurred in the last five years? I guess it would show financial penalties, major incidents, minor, however you define those, which are already predetermined in terms of the definition.

Mr Thornton: Yes, we'll undertake to provide that information.

Mr Hastings: To go back to the auditor's report with regard to the fiscal reporting of these trusts, do you folks have on record, even up to 1997, a breakout of the expenditures of these trusts according to training and development, silviculture research or whatever the categories would be, or is it not broken out that way?

Mr Thornton: It's not broken out that way. The monies in the forest renewal trust are only available to be spent on activities that regenerate a harvested area. Training is not part of that, research is not part of that. Does that answer your question?

Mr Hastings: Where does research come into either trust in terms of trying to improve the soil, trying to improve the seedlings? My impression is that back in the old regime, 20 or 30 years ago, MNR used to have a lot

to do with it in terms of being the supplier, the developer of a lot of the seedlings. Is that a correct impression or am I off base a bit?

Mr Thornton: No, your impression is correct. We used to operate tree nurseries, for example. With respect to your question as to how that science is now paid for, it comes out of MNR's operating dollars, which are distinct from the monies that are held in the trust funds.

Mr Hastings: So we're still involved in research funding but not in the actual carrying out of the research. It's done by the universities, by the companies or a consortia of companies.

Mr Thornton: Yes. To give you some perspective here, of the \$60 million or \$70 million that's spent annually in the forest program, roughly 20% of that is spent on the science and related activities that you're describing. We continue to place a lot of emphasis on the science.

Mr Hastings: That's under the forest renewal trust?

Mr Thornton: No, these are—

Mr Hastings: That's separate from either trust?

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Mr Thornton: That's right. Just to reiterate, the trust funds have very distinct purposes particularly focused on regenerating areas that are harvested and some other specific uses. That's distinct from MNR's operating dollars, which are used to pay for science and information and other things.

Mr Hastings: You've been in this business quite a while, in terms of your profession. Do you have a forestry designation?

Mr Thornton: Yes.

Mr Hastings: Having read Doug Fisher over the years, as a layman, that's been one of his areas of concern. I can recall from reading some of his columns that he used to be concerned about the lack of generation by either government ministries or by companies in terms of the different types of wood that would be required, since Canada still employs about 100,000 people, indirectly or directly. I don't know how good that number is.

Mr Thornton: That's more like Ontario's figure.

Mr Hastings: OK. So he was saying—this would be I guess in the early or mid-1990s—that Canada was starting to fall behind considerably in terms of output, productivity, training, regeneration and all that. Do you think, based on his and other similar impressions, that we've made some pretty significant changes from the status quo that he described, say, back in the late 1980s or early 1990s in terms of some of these issues, and that the whole forestry industry, pulp and paper, is a little better in terms of being competitive, aside from the free trade issues?

Mr Thornton: I'll give you my perspective from Ontario and then I'll give you a bit of a national perspective.

My perspective from Ontario is, with respect to our ability to regenerate the areas you've mentioned, that probably the single most significant improvement that has been made in that respect was when Ontario

established trust funds to provide dedicated money to regenerate the forest. That was a tremendous accomplishment. At the time there were reasons to be very concerned with the government's ability to continue to pay directly for the areas that were being harvested, to pay for that renewal. With the advent of public trust funds, it set in motion a means by which monies were set aside immediately upon harvesting the trees to regenerate that site. That was a tremendous improvement, one now that other jurisdictions in Canada have tried to adopt.

If you look also at where Ontario is in terms of its forest management planning process, which is the result of a very comprehensive environmental assessment that took place six years ago now, we are, by far, ahead of many other jurisdictions in terms of our involvement of the public in being able to look at what's being planned for the forest, to comment on forest management plans, and the requirements of the industry to make this information available to the public. On the integrated nature of our forest management planning, we're really in a leadership position here in Ontario. Again, other jurisdictions are coming to us to get advice on new legislation to mimic the Crown Forest Sustainability Act, for example.

If I elevate my comments now to the national level and try to compare where Canada is on the international scene, that perspective is often clouded by one province, and that's British Columbia. British Columbia, for example, is by far the largest province in terms of exporting forest products nationally and internationally. The international marketplace tends to focus on BC, with the successes and problems it has had, and typifies Canada from a BC perspective. When we are in national and international venues, typically the impression that people have of Canada is a BC-based impression when it comes to forestry, and provinces like Ontario are not as visible. That has been a problem.

The BC forest industry is going through some turmoil now for a variety of reasons, and sometimes that image being projected by the one province isn't as positive as we would like it to be if it were Ontario being projected.

Mr Hastings: I take it, now that you've moved to northern development, that you'll be involved in the renegotiations, indirectly at least, on the pulp and paper wood products issue under the FTA, or you'll give advice to the federal group in terms of how the Americans are again challenging us on stumpage fees as a so-called subsidy?

Mr Thornton: I'll have some input there. Most of that input comes from the Ministry of Natural Resources because of the emphasis on MNR's stumpage system, the system of valuing crown timber. But the lead ministry within the Ontario government is actually the Ministry of Economic Development and Trade and the lead jurisdiction on international trade is the federal government, not the provincial.

Mr Hastings: Foreign Affairs. Why are we so timid in terms of dealing with the Americans on this issue? Don't they have stumpage fees from their state forests? Don't

they have the equivalent of the subsidy, whatever you want to call it, in the way that companies in Washington or Oregon or Maine operate? Different name, same—

Mr Thornton: No.

Mr Hastings: Or is it all privately operated?

Mr Thornton: First of all, the vast majority of the timber comes from private lands in the US. Where it does come from state or federal lands, often what's employed is a bidding system for that timber. So blocks of timber will be put up for sale and companies can bid a price for it and the successful bidder gets the wood. It's a very different system than we have in Ontario, where we allocate timber to licensees and make sure they have all those management/planning responsibilities associated with that timber licence. It's a fundamentally different system, and that has given rise to this problem in comparing the two countries.

Mr Hastings: You may think this is totally out of the purview of the auditor's report in terms of the issues we've dealt with. If you don't have a customer to sell your wood products to, then it becomes somewhat academic as to how you're going to find new markets, how you're going to have these trusts operate, whether we have sufficient fiscal accountability between the players in the actual operating accounts of either trust, that sort of thing, and all the refinements the auditor has recommended that you're trying to comply with. Is that not a fair observation or assessment to make? Where would we sell our wood? To ourselves? We're a very small market.

Mr Thornton: Your point is well taken. We have a heavy focus on our export market. Probably 80% to 90% of Ontario's forest products is exported and that's why the expiry of this softwood lumber agreement is one of critical importance to Ontario, particularly northern Ontario.

Mr Hastings: How would it affect northern Ontario in terms of the types of products that are sold into the American market if we end up losing the definition? It has to go to a free trade panel, I guess, as to how things get sold into that market in terms of the subsidy issue.

Mr Thornton: We need to remind ourselves that this agreement with the US deals only with softwood lumber. So it doesn't deal with pulp and paper, it doesn't deal with plywood and a host of other products.

Mr Hastings: Veneer?

Mr Thornton: It doesn't deal with veneer, no. Only softwood lumber. So in those communities where there is a softwood lumber sawmill, it would have a very significant impact if it had the effect of restricting the level of exports to the US, or the price, the countervailing duty that could result here. That would, in turn, increase the cost of shipping that wood to the US.

The Chair: Could I just ask a question as a clarification to that? I know we have a licensing system in Ontario, but do companies not bid for licences in various areas, or how is that determined?

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Mr Thornton: No, there isn't a bidding system in terms of a price. In some instances where we have sur-

plus volumes of crown timber such that it could sustain a new mill, for example, we do have a competitive process where companies will give to us a proposal to build a mill that uses that wood supply, and we choose from among those.

The Chair: But the actual licence fees aren't determined as a result of that bidding process?

Mr Thornton: No. That's correct.

Mrs Munro: I just have a question, since we've spent so much time on the issue of compliance. I wondered whether there's a grey area in terms of when issues of compliance become issues of enforcement.

Mr Thornton: Every compliance activity, if it identifies an instance of non-compliance, would lead to enforcement in some fashion. As I say, the spectrum of enforcement can range from as little as a warning letter to as severe as a major fine or even a cancellation of a licence. So the act gives us a broad array of tools to use on the enforcement side, but only, obviously, in instances of non-compliance.

Mrs Munro: Will the manual that you mentioned refer to those kinds of issues as well?

Mr Thornton: It will. It will outline information requirements that the company is to provide to us. If we have an example where some of the information being requested here is not forthcoming from a company for whatever reason, now we have a regulatory authority to say, "If you don't provide us with the information, we can take some dramatic action here in terms of a fine or what have you."

Mrs Munro: That's really where my question was going. It seems to me that's really an important piece, to be able to go from the one stage to the other in a way that is understood and, might I say, clear-cut for the parties, both the government and the licensees.

Mr Thornton: It's a good point. The whole purpose of a compliance program is one of putting in place preventive measures. We're not in the business simply to bring in revenue here where we find instances of non-compliance. The purpose of any compliance program, whether it's in forestry or in any other field, is to make sure that you continuously improve your activities so you have fewer and fewer instances of non-compliance. However, when you do have instances of non-compliance, you need to go the next step of enforcement, and that's what we do.

Mr Hampton: I've been dying to ask this question all afternoon. The auditor starts out his report by saying that MNR does not have sufficient information to adequately meet its obligations to report annually on the management of Ontario's crown forests.

The key to all this, as I understand it, is that the forest management plan is really the sustainability plan. Let's call it what it is. It sets out what has to be done to sustain a supply of timber; it sets out what has to be done to sustain fish and wildlife habitat; it sets out what has to be done to sustain tourism opportunities, what has to be done to sustain forest renewal, the next forest. Basically,

it sets out what has to be done to sustain the ecological integrity. It says this is what must be done.

When the auditor says, "All of the work that must be done after that to ensure that the plan is being met," I take it as saying it's not being done, or it's not being done timely enough, such that reports that are supposed to be done annually are three or four years late, such that when audits are done in terms of forest renewal, one quarter of the audits couldn't really determine if the next forest was going to be sustained. I don't see any information here about ecological integrity, sustaining the ecological integrity, which probably gives me the most worry, because I don't think you're there yet. I'll make that assertion.

In view of all this information that is necessary to tell you that you're living up to your own sustainability plan but the information isn't there, doesn't that give you real heartburn? I mean, how can you really tell if the sustainability plan is being met if all of this information that is integral to that isn't available? You can't produce it for the auditor, you can't produce it for the Legislature. In some cases, when it has been produced, it's full of holes. Doesn't that give you some heartburn? In 1994 the act was passed, which said, "This is how it's going to happen now: you're going to put forward a sustainability plan that's going to deal with all these issues, and then by the reporting mechanism you're going to show that you're meeting the sustainability plan."

We're now in 2001, year seven. If I may, I think you're falling further behind in terms of the kinds of information that must be produced to tell you if you're doing a good job or not.

Mr Thornton: There's no question about it that we haven't done as good a job as we should in terms of the reporting. That's clearly the case the auditor has made, and we haven't for a moment objected to that. We think that is the case. We think we do have to provide more timely annual reports, and we've provided you here with evidence that that information is now coming forward in a timely fashion.

We can't rest on our laurels, I agree. I think we need to improve that. We also need to focus on what's in store for the future in terms of our reporting on the very points that you raised, the broader matters of ecological sustainability. I would draw your attention to the fact that there is a five-year state-of-the-forest report that is under preparation now—it's scheduled to be completed in December of this year—that will draw on some of those broad indicators of sustainability, the indicators that the Canadian Council of Forest Ministers, for example, has endorsed and has brought forth for many years in the framework to be reported by the provinces.

I believe that report will be a watershed report. That is one that will give us, with all its warts and wrinkles because of the difficulty in reporting on some of those indicators, by far the best measure of the sustainability issues that you raised, because it is much broader, it is more comprehensive and looks at the suite of indicators—fish and wildlife, the forestry—

Interjection: Bird habitat.

Mr Thornton: —bird habitat, all of those things, to the degree possible will be reported.

If I may, I'll say this: we've had the chance to deal with other jurisdictions on this very issue, because all the provinces are trying to report this matter, because we want to be seen in the international marketplace as managing the forests well. Ontario will probably be in the lead there. We have been assisting not only the federal government but some of our provincial colleagues in preparing that report. I also know that it will not live up to everyone's expectations of perfect information on that resource, but it will be the first time there is a comprehensive picture of the state of our forests in Ontario. That's something, as you point out, that is long overdue, and we look forward to discussing that with you in December.

Ms Martel: I want to follow up on that, because I want to reinforce what we don't have before us which was required by the act. For example, the report on the state of the forest is supposed to be every five years. The act was passed in December 1994. We should have had that December 1999. We will have that report two years later than the date that was required in the act. We have our forest management reports, which are supposed to be tabled annually by law, and the most recent ones that were tabled were for 1996-97. We've got the trust fund reports, two different sets, one for forest renewal, one for forestry futures, that are also by law supposed to be tabled annually as a requirement of the act, and the most recent ones were tabled year ending March 1997.

The information manual, which was a key element of the act, still hasn't been passed by regulation six and a half years after the act was passed. It was a key component, and a number of other things flow from it, for example, inventory. With respect to inventory, the act also said that all of those units had to be updated, and the auditor, to his credit, pointed out that MNR had made a significant effort in that since the act was passed, but there are still 11 units where that is not done. What bothered me the most was to read that in two of the units where that information was recently done MNR staff themselves were questioning the validity of the inventory that was just recently done. What does that say about some of the others, or the 11 that still aren't done?

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My concern is that we are far past, I believe, the deadlines with which MNR should have complied, and I think that has a lot to do with—it's probably entirely due to—the huge, significant cuts that the ministry has sustained, particularly in 1996. I just don't think you folks have had the staff to do the job. What worries me is, what are the long-term effects for our forests, which belong to all of us, because of that? You are way behind where you should have been. You might say that's a better position than the other provinces; great, but I'm talking about Ontario, and we are way, way behind where we should have been to produce some of these really important documents to show us where we need to be.

I look at your staff cuts already and I wonder if it's going to get any better, because I'm not convinced that you can still deliver on some of this stuff any more, given the cuts to your ministry. I don't blame you for that, but I think that's the reality.

You can respond if you want as to why it is that six years later we still don't have some of these things in place.

Mr Thornton: I'll just give you a quick comment. First of all, you're exactly right: we are late, and we would be foolhardy to suggest otherwise. This information should have been provided in a more timely fashion, and it has not been. My message to you here today is that we are very focused on correcting that.

Have the reductions contributed to that? To some degree, of course. It's unquestionable that they would have. But what you have to look at as well is that during that period of transition, the work that we had been doing is now expected to be done in many instances by the forest companies. I don't care if you're a public sector agency or a private sector company: when you go through a period of transition like that, things get bumpy, and that's what the auditor has picked up on. We're focused on making it better. We're focused on doing the best we can with the resources we have. I can't guarantee you that the future won't have some bumps in it as well, but we're doing the best with what we have, and I still maintain that at the end of all this we will continue to be a provincial leader. Ontario will continue to be looked upon in Canada as one of the leading jurisdictions here both in our legislative framework and in our actual results of managing the forests.

Ms Martel: Can I ask you, Mr Thornton, do you think you have the staff to deliver on the requirements of the act and the requirements, terms and conditions of the timber class EA?

Mr Thornton: I think we do, with the full co-operation of the forest industry.

Ms Martel: So you've got to have their full co-operation, you need their money and you need to know that they are working in the best interests of the public too. If we look at some of those compliance numbers, that gives us some cause for concern over here.

Mr Thornton: It is a partnership that we're in. We require information from them to give you the kind of information you're asking for. It's not a case any longer of us going to our file and we get this. Most of these companies are very co-operative. Now we have an additional regulatory instrument at our disposal, that forest information manual, to make sure that if we don't get it, we can force companies to provide it. But it is an environment now where we have to work with industry to meet our expectations, whether it be under the Crown Forest Sustainability Act or the timber class EA.

Mr Hampton: I want to ask a question about the future. I think we all know that there is a wood supply gap coming. The wood supply gap coming across northern Ontario is going to hit, I think, everywhere within the

next 20 years. I think it's going to hit some mills in the next five years.

As far as I can tell, you haven't figured out how to grow wood in Lake Superior yet. There's no wood in, for example, Minnesota; there's no wood in Quebec—Quebec keeps trying to get our wood; there's no wood in Manitoba. The only way you can go is north, into First Nations territory. So there's another whole element of sustainability here, and that is, what kind of relationships is the Ministry of Natural Resources building with First Nations north of 51? I suspect that's going to be your new job at northern development and mines, and you'd better get at it pretty quickly, in my view, because if MNR doesn't get busy on this very quickly and if MNR doesn't do it the right way, I suspect most of what is presented here is going to be full of holes within five years. So I'd like to ask that question: where are you at?

Mr Willick: There are some things I want to address before we talk about the area north of the area of the undertaking. We know that there is a dip in the allowable cut coming; that has been forecasted for some time. Part of the management process is to forecast that out. Some parts of the province will be worse than other parts of the province; we know that too. But we're already working on some things to correct that. We have done some things to encourage the companies to use the tops that previously had been left in the bush. That helps for the pulping process.

Mr Hampton: I'm going to send you a videotape that's going to refute some of that, but you and I can talk about that later.

Mr Willick: We're coming to an understanding with the forest industry about stands that previously had been bypassed because they have not, till now, been suitable. We're talking at great length about intensive forest management that only includes activities that are allowed under the environmental authority that we have now, not new activities but more intensive management, monitoring and planning growth and yield and so on. All those things are going to grow the fibre supply, the wood basket, bigger. We're also making every effort to get the right tree to the right mill, which helps us.

The other place where we're going to realize some fibre, possibly, is in the area north of the area of the undertaking. You know that we've had some early discussions with some of the communities up in the area where we currently do not have authority to practise forestry. The First Nations have come to us, expressing interest. This is not an industry-driven process. While there's a dialogue between some of the industry members and the First Nations, we view it as the First Nations driving the thing, because we recognize that we need a different relationship than we've had in the past in the area where we currently practise forestry. Those discussions are ongoing; they take time. But the first thing we have to do is some kind of a land-use plan for that area that involves community-based discussions so that we can avoid having the conflicts over land use that we had south of that line. We're a ways from harvesting trees and running them through a mill in the north.

Mr Hampton: Do you care to comment on how long this process is going to take and the direction this process is going to take?

Mr Willick: How long it will take will depend on the continued interest of the First Nations communities. This is not something the government can dictate. We can't say that it's going to take five years and we'll be done. I don't know how long it will take, but a land-use planning process will take some years, and then you go to discussions about forest management planning after that.

The Chair: OK. Does anyone else have any questions?

Mr Hastings: Yes, I have a question for Mr Thornton. Mr Thornton, it has been mentioned that you're behind in the information gap when you go from an old model, which was primarily public sector dominant, to one which is more self-management in terms of having a lot of different players trying to get their hands on the driving wheel. Maybe there's only one vehicle. There's a bit of shouldering and elbowing going on among the players in terms of their interest, because everything doesn't meld perfectly into a nice, harmonized arrangement. That's why you end up having an information gap, to some extent.

In a self-managed model or whatever arrangement, wouldn't it be better for quality decision-making that you have benchmarks, indicators, performance measurements, credentials—you're talking about the environmental groups that are getting involved in the industry, the OFIA being much more externally focused on relations with the public in its broadest sense—isn't it better to have that kind of a world of indicators than one where we didn't? Not that we didn't have any, but we had less sophisticated information 10 or 20 years ago in the management of the forest industry than we do today. Isn't that what Doug Fisher was talking about, to some extent, in terms of when you transition through the old regime, you're going to end up having some pretty difficult issues to get through?

Mr Thornton: I guess it goes, really, to the question of whether or not some of the efforts we have in assessing the performance of companies are sufficient. I go back to my earlier point. Now there are internationally recognized agencies that are in the business of certifying whether or not forests are sustainably managed. One of them is the Canadian Standards Association; another is the International Standards Organization, ISO. You've probably heard of that. The third one, the one supported largely by the environmental community, is the Forest Stewardship Council. Regardless of which of those three certification systems you ascribe to, they are all being seen in the marketplace as a credible, independent assessment of the performance of a company.

As proud as we are of the Crown Forest Sustainability Act and the independent forest audits and the various other regulatory mechanisms we have in Ontario, they are rarely recognized beyond our borders by clients in Europe or the United States, for example.

Companies are aspiring to that. They are very focused on being audited under those international certification systems that I described. Ontario companies have done very well in that respect. They've done well because we feel they're building on a regulatory environment in Ontario that helps them well down the path of being certified on the international scene. You referenced benchmarks and standards and so on, and you'll see that those certification systems in fact do rely on management systems to report consistently on the performance of a company. That's a move in the right direction, and it's a move that's being dictated by the marketplace and not by government.

The Chair: Anyone else? Thank you very much for attending here today, Deputy and gentlemen.

We stand adjourned until 10 o'clock on Monday morning.

The committee adjourned at 1503.

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Mr John Hastings (Etobicoke North / -Nord PC)

Ms Shelley Martel (Nickel Belt ND)

Mr Bart Maves (Niagara Falls PC)

Mrs Julia Munro (York North / -Nord PC)

Ms Marilyn Mushinski (Scarborough Centre / -Centre PC)

Mr Richard Patten (Ottawa Centre / -Centre L)

Substitutions / Membres remplaçants

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